

U.S. Small Business Administration

# National 7(a) Authorization Boilerplate

Version 2004.1

October 1, 2004

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## Read this first!

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### ***About this document***

This document contains version 2004.1 of the National 7(a) Authorization Boilerplate ("Boilerplate"). The Boilerplate contains the national standard language for all SBA authorizations except the national Export Working Capital Program (EWCP), CAPLines, and 504 Loans (which have separate boilerplates) and SBA *Express*. It replaces all regional, state and local boilerplates and is mandatory.

The term "Boilerplate" means that this language is not to be altered. It may not be changed based on local or personal preference. Based on information received from the local SBA Processing Offices, the Boilerplate should contain language necessary to accommodate state-specific requirements. Boilerplate language may only be altered with sufficient justification and then only on a rare fact specific basis.

### ***About the "7a Wizard"***

The 7a Wizard ("Wizard") was automated using Microsoft Word and has been designed to run in Word Word 2002 (10). The Wizard is compatible to a limited degree with Word 97 (8), Word 2000 (9), and Word 2003 (11). SBA cannot effectively support compatibility issues relating to versions of Word other than Word 2002 (10)

SBA upgraded to Word 2002 (10) during 2002. Version "2004.1" of the 7a Wizard has been programmed in Visual Basic for Applications (VBA). Changes to the Wizard and Boilerplate are outlined in the

**What's new in this version** section below.

The Wizard is a technical tool intended to make it easier for SBA Loan Officers and lenders to create authorizations based on the Boilerplate. It is not an expert system with lots of checks and balances. The Wizard was created with the assumption that Loan Officers using it to create authorizations would choose necessary options and that those authorizations would be reviewed by counsel.

Together, the Boilerplate and the Wizard constitute the "Authorization."

Lenders may use the Wizard to create authorizations if they so choose, or may automate the Boilerplate with other software. Use of the Wizard or any other automation tool does not release lenders from their responsibility to ensure that the authorizations they create comply with the Boilerplate.

Below is the list of 7a Wizard sections with their location in the Boilerplate:

1. For 7a Wizard users:	Loan Information section starts here...	1
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### ***Getting the latest version of the Authorization***

The latest version of the Authorization can be obtained from the SBA web site at <http://www.sba.gov/banking> or from any local SBA Processing Office.

## ***Format Conventions***

All comments, references and instructions in the sections titled "Boilerplate" and "Appendix A" are located in shaded areas (gray or blue shade). All non-shaded areas in these two sections and Appendix A constitute the standardized text itself.

Text appearing in brackets [ ] must be completed, for instance:

**[Name]**—must be replaced by a name in the final authorization;

**[Amount]**—must be replaced by a \$ amount;

**[OPTION—This sentence is optional]**—Optional text—can be inserted or not;

**[SELECT—this text—OR—that text]**—User must select one of the available options;

**[SELECT—First, Second, Third, Fourth, Fifth]**—User must select one of the listed items;

**[Write Your Own]**—User can insert own text

Paragraphs will be renumbered depending on which options are selected. All other comments should be self-explanatory.

## ***What's new in this version?***

This section highlights the major differences between the Boilerplate and Wizard version 2004, Service Release 2 (released on July 15, 2004) and this version, version 2004 of the Boilerplate and Wizard (7a Wizard 2004.1). Changes made to the Boilerplate and Wizard were based on statutory requirements and several recommendations from the field. This listing can also be found during operation of the Wizard in the "What's New" section of the 7a Wizard Help topics, which is available from the 7a Wizard menu. The following apply to the 2004.1 version, released October 1, 2004.

In order to comport the 7a Wizard with the rule changes of H.R. 4062 which are sunseting effective September 30, 2004 (as outlined in SBA Policy Notice 5000-931 of October 1, 2004), the following revisions to the Boilerplate and Wizard have been made:

### **LOAN INFORMATION SECTION**

#### **A. LOAN GUARANTEE**

The Loan Guarantee Amount will be calculated as follows:

Loans less than \$150,000 at 2 percent of the guaranteed portion

Loans greater than \$150,000 and less than \$700,000 at 3 percent of the guaranteed portion

Loans greater than \$700,000 at 3.5 percent of the guaranteed portion

The following paragraph has been added as the second paragraph to the Loan Guarantee section as follows:

"For loans of \$150,000 or less, Lender may retain 25 percent of the Guarantee Fee but must remit the remainder to SBA."

The Ongoing Servicing Fee default setting has been changed to 0.50 of one percent, replacing the .36 of one percent previously in effect. The sentence now reads:

#### **"B. ONGOING SERVICING FEE:**

1. Lender agrees to pay SBA an ongoing fee equal to [0.50] of one percent per year of the guaranteed portion of the outstanding balance."

The Combination Loan Identifier paragraph and the Commercial Loan Fee paragraph, as show below, have been eliminated in their entirety:

**"C. COMBINATION LOAN IDENTIFIER**

This Loan is part of a Combination Financing also involving a non-guaranteed loan ("Commercial Loan"). The Commercial Loan is in the amount of \$[**Commercial Loan Amount**] made over a term of [**Maturity Years**] year(s) and [**Maturity Months**] month(s) with an interest rate of [**Interest Rate**]% to Borrower for eligible purposes. The Commercial Loan interest rate is the same as or less than this Loan and the Commercial Loan maturity is equal to or greater than half the maturity of this Loan.

**"D. COMMERCIAL LOAN FEE**

The Commercial Loan is in a senior lien position to this Loan on the assets being financed. Therefore, the Lender must pay a one-time Commercial Loan Fee equal to 0.7% of the amount of the Commercial Loan. This fee is \$[**Commercial Loan Fee**]. Lender must not pass this fee onto the Borrower.

The Lender should add the Commercial Loan Fee to the Guarantee Fee and pay the required fees in one remittance at the time the Guarantee Fee is due and payable to the Small Business Administration, Denver, CO 80259-0001. The remittance check must show the SBA Loan Number."

**ADDITIONAL CONDITIONS II SECTION**

Paragraph **K.9.1.a, Combination Financing**, restated below, has been deleted in its entirety:

- "a. Combination Financing involving a Commercial Loan is provided to Borrower by [**CommercialLender**] ("Commercial Lender").
- (1) Commercial Lender must certify that the Commercial Loan will:
    - (a) use at least 75% of its loan proceeds for the acquisition or construction of real estate or the acquisition of long term fixed assets.
    - (b) finance a purpose that is eligible for SBA financing.
    - (c) not have additional fees or interest triggered by default.
  - (2) If the Commercial Lender is in a senior lien position on the assets financed by this Loan:
    - (a) Commercial Lender must certify that the Commercial Loan will:
      - [1] have a cross default provision with this Loan.
      - [2] not have an early call feature.
      - [3] not require a balloon payment.
      - [4] not be cross-collateralized with any other non-SBA financing.
    - (b) Commercial Lender must agree to waive any provisions in its note or loan documents that allow future advances except advances made for the reasonable costs of collection, maintenance, and protection of the Commercial Lender's senior lien.

- (c) Commercial Lender must agree to waive any provisions in its note or loan documents that contain a late payment charge or a prepayment penalty unless it is subordinate to Lender's position on this Loan.
- (d) this Loan's lien position cannot be less than a second lien position on the assets being financed.
- (3) Each of the provisions required in subparagraphs(1) and(2) above must be documented in the Lender's loan file to expedite any SBA review of this Loan."

### ***More Information***

See **Appendix C** at the end of this document for a list of Frequently Asked Questions.

## Boilerplate

**Note for Pre-Qual** -- This Boilerplate must be changed as follows for Pre-Qual draft authorizations:

- Specify the CID Number in lieu of the SBA Loan Number in both the Loan Information box and the footer, as follows: PRE-QUAL DRAFT—CID #[Insert CID Number here]
- Insert the text [Approval Date] and [Request Date] in lieu of the Approval Date and Request Date respectively
- Replace the Lender name and address with the following statement: (Pre-Qual Draft. No lender information is available.)
- Replace the entire signature block with the following statement: PRE-QUAL Draft—DO NOT SIGN

**For 7a Wizard users:** All of the above is automatically done by the 7a Wizard when the "This is a Pre-Qual draft" option is selected on the Lender Information panel.

For 7a Wizard users:

Loan Information section starts here...



U.S. Small Business Administration

## AUTHORIZATION (SBA GUARANTEED LOAN)

### *SBA Loan Information*

The SBA LOAN NAME is the **first available** of this list:

1. dba of the Operating Company
2. name of the Operating Company
3. dba of the Borrower
4. name of the Borrower

In the case of multiple Borrowers or Operating Companies, the same rule is applied using the **first** Borrower or Operating Company listed by the Loan Officer.

**For 7a Wizard users:** The 7a Wizard automatically selects the SBA Loan Name based on the Borrower and Operating Company Information provided.

SBA Loan #	[ SBA Loan Number ]
SBA Loan Name	[ SBA Loan Name ]
Approval Date	[ Approval Date ]

### ***Lender / SBA Information***

CFR 120.10—Definition of Authorization states that the Authorization is not a contract to make a loan. The Authorization is not a Loan Agreement. It is intended to provide Lender with the specific conditions which must be met for SBA to provide a guarantee of the loan Lender is making to Borrower. It is not a contract to loan money, and Borrower is not a third party beneficiary of the Authorization. SBA does not lend money to Borrower and cannot force Lender to make a loan to Borrower based on the Authorization.

Lender:

[Lender's Name]  
[Address]  
[City, State Zip]

U. S. Small Business Administration (SBA):

[SBA Office's Name]  
[Address]  
[City, State Zip]

### ***General Loan information***

CFR 120.214—Date application is received by SBA is necessary to calculate interest rate on variable rate loans. 120.210- explains SBA guarantee percentage.

SOP 50-10(4), pg. 199-202, Subpart "B", Chapter 5, Paragraphs 4 & 5—Guarantee percentage policy. There is an effect on the guarantee percentage and guarantee fee when two 7(a) loans are approved to the same borrower within 90 days. This 90-day rule does not apply when one of the loans is a 504 loan. See SBA Information Notice 5000-802.

SBA approves, under Section 7(a) of the Small Business Act as amended, Lender's application, received [Date Accepted], for SBA to guarantee [Percent Guaranteed]% of a loan ("Loan") in the amount of \$[Loan Amount] to assist:

### **Borrower and Operating Company information**

CFR 120.111 / SOP 50-10(4), pg. 45 through 50-2, Subpart "A", Chapter 2, Paragraph 9—Operating company must be a Co-Borrower if loan proceeds are used for working capital or to purchase assets to be owned directly by the Operating Company. If not a Co-Borrower, Operating Company must be a Guarantor. If the Loan is made to an Eligible Passive Company (EPC), there can only be one EPC Borrower, but there can be multiple Operating Companies (OC) as Co-Borrowers or Guarantors. If several individuals hold the property leased to the OC as joint tenants or tenants in common, then each individual must be listed separately, but they are considered together to be one EPC.

Borrower: [OPTION—(EPC)]

1. [Name 1] [OPTION—dba  
[DBA Name]]  
[Address]  
[City, State Zip]
2. [Name 2] [OPTION—dba  
[DBA Name]]  
[Address]  
[City, State Zip]
3. [etc.]

[OPTION—Operating Company]

1. [Name 1] [SELECT—(Co-Borrower) or  
(Guarantor) ]  
[OPTION—dba [DBA Name]]  
[Address]  
[City, State, Zip]
2. [Name 2] [SELECT—(Co-Borrower) or  
(Guarantor) ]  
[OPTION—dba [DBA Name]]  
[Address]  
[City, State, Zip]
3. [etc.] ]

All requirements in the Authorization which refer to Borrower also apply to any Co-Borrower.

### **GUARANTEE FEE**

CFR Reference: 120.220/SOP Reference: SOP 50-10(4), pg. 173, Subpart "A", Chapter 6, Paragraph 7e & f; pg. 214 through 221-5, Subpart "B", Chapter 5, Paragraph 15.

**For 7a Wizard users:** The 7a Wizard automatically inserts the appropriate paragraph below based on the maturity period specified in F.1. **Note:** If two 7(a) loans are approved to the same borrower within 90 days, you must calculate the guarantee fee on the second loan manually. See SBA Information Notice 5000-802.

**A. THE GUARANTEE FEE IS \$[Amount].**

***Insert the following two paragraphs if maturity is more than 12 months***

Lender must pay the guarantee fee within 90 days of the approval date of this Authorization. Failure to timely pay the guarantee fee will result in cancellation of the SBA guarantee. The 90-day deadline may not be extended. Lender must send the guarantee fee to the Small Business Administration, Denver, CO 80259-0001. The remittance check must show the Loan number. No part of the guarantee fee is refundable if Lender has made any disbursement. Lender may collect this fee from Borrower after initial disbursement of Loan. Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

For loans of \$150,000 or less, Lender may retain 25% of the guarantee fee but must remit the remainder to SBA.



***Insert the following paragraph if maturity is 12 months or less***

Lender must have paid the guarantee fee prior to SBA signing this Authorization. Any Lender with authority to sign this Authorization on behalf of SBA certifies that it has paid the guarantee fee to the Small Business Administration prior to signing this Authorization. No guarantee exists if Lender has not timely paid the guarantee fee in full. SBA will not refund the guarantee fee after the date of this Authorization except as provided in SBA Standard Operating Procedures. Payment of the guarantee fee is not contingent upon disbursement. Lender may collect this fee from Borrower upon receipt by Lender of the Authorization. Borrower may use Loan proceeds to reimburse Lender for the guarantee fee.

***Ongoing Servicing Fee***

CFR Reference 120.220/SOP Reference: SOP 50-10(4), pg. 222, Subpart "B", Chapter 5, Paragraph 16.

**B. ONGOING SERVICING FEE:**

1. Lender agrees to pay SBA an ongoing fee equal to [0.50] of one percent per year of the guaranteed portion of the outstanding balance.
2. Lender may not charge or otherwise pass through this fee to Borrower.

***Lender's responsibility***

CFR 120.400 et seq./SOP 50-10(4), pg. 173-175, Subpart "A", Chapter 6, Paragraph 8; pg.312, Subpart "D", Chapter 1, Paragraph 10. See also SBA Form 750 Loan Guarantee Agreement.

**C. IT IS LENDER'S SOLE RESPONSIBILITY TO:**

1. Close the Loan in accordance with the terms and conditions of this Authorization.
2. Obtain valid and enforceable Loan documents, including obtaining the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property.
3. Retain all Loan closing documents. Lender must submit these documents, along with other required documents, to SBA for review if Lender requests SBA to honor its guarantee on the Loan, or at any time SBA requests the documents for review.

**D. REQUIRED FORMS**

SOP 50-10(4): pg.157, Subpart "A", Chapter 6, Paragraph 4.h.- **159 required**, Paragraph 12 & 13 on fees & 159; pg. 174, Subpart "A", Chapter 6, Paragraph 8c—**Note, Guarantee & 159 required**; pg. 110, Subpart "A", Chapter 5, Paragraph 6.e.(3)—**601 required**; pg. 319 Subpart "D", Chapter 2, Paragraph 4.b.—**1050 required**, (See also SOP 50-50(4), pg. 9-9, Chapter 9, Paragraph 9 -1050 required for purchase review); pg. 582-7, Appendix 5, Paragraph 9—**722, 793 & other forms required**.

**For 7a Wizard users:** The 7a Wizard automatically inserts the references to the forms as applicable.

1. Lender may use its own forms except as otherwise instructed in this Authorization. Lender must use the following SBA forms for the Loan:

SBA Form 147, Note

SBA Form 1050, Settlement Sheet, for each disbursement

SBA Form 159, Compensation Agreement, for each representative

SBA Form 722, Equal Opportunity Poster

SBA Form 793, Notice to New Borrowers

**[MUST APPEAR when applicable—SBA Form 148, Guarantee]**

**[MUST APPEAR when applicable—SBA Form 148L, Limited Guarantee]**

**[MUST APPEAR when applicable—SBA Form 601, Agreement of Compliance]**

CFR 120.194/SOP 50-10(4) pg. 177-2 - 178, Subpart "A", Chapter 6, Paragraph 11.

2. Lender may use computer-generated versions of mandatory SBA Forms, as long as these versions are exact reproductions.
3. Lenders must submit completed SBA Forms 159 for non-PLP loans to the SBA immediately after final disbursement.

**Contingencies**

CFR 120.400, 120.441(b) & 120.451(d)/SOP 50-10(4), pg. 305, Subpart "D", Chapter 1, Paragraph 1.

- E. **CONTINGENCIES**—SBA issues this Authorization in reliance on representations in the Loan application, including supporting documents. The guarantee is contingent upon Lender:

1. Having and complying with a valid SBA Loan Guarantee Agreement (SBA Form 750 or SBA Form 750B for short-term loans) and any required supplemental guarantee agreements, between Lender and SBA;
2. Having paid the full guarantee fee in the time and manner required by this Authorization and the SOP;
3. Complying with the current SBA Standard Operating Procedures (SOP);

SBA Policy Notice 5000-882; SOP 50-10(4), pg. 114, Subpart "A", Chapter 5, Paragraph 6.h.

4. Making initial disbursement of the Loan no later than **[number of months—default is 6]** months, and completing disbursement no later than **[number of months—default is 12]** months, from the approval date of this Authorization, unless either disbursement period is extended by proper SBA procedures;

5. Having no evidence since the date of the Loan application, or since any preceding disbursement, of any unremedied adverse change in the financial condition, organization, management, operation, or assets of Borrower or Operating Company which would warrant withholding or not making any further disbursement, and;
6. Satisfying all of the conditions in this Authorization.

## ***Maturity***

### **F. NOTE TERMS**

CFR 120.212/SOP 50-10(4), pg. 203-205, Subpart "B", Chapter 1, Paragraph 7- General SBA rules on Maturity.

1. **Maturity:** This Note will mature in **[number of years and/or number of months]** from **[~~SELECT~~—date of Note—OR—date of initial disbursement]**.

For 7a Wizard users:

Repayment Terms section starts here...

SOP 50-10(4), pg. 212, Subpart "B", Chapter 1, Paragraph 12- General SBA Note Requirements. See SBA Inst 147 (Instructions for Use of SBA Form 147).

### **2. Repayment Terms :**

Lender must insert onto SBA Note, Form 147, to be executed by Borrower, the following terms, without modification. Lender must complete all blank terms on the Note at time of closing:

## ***INTEREST RATE OPTIONS***

CFR 120.213 through 215/SOP 50-10(4), pg. 205-212, Subpart "B", Chapter 1, Paragraphs 8-13, interest rate rules.

13 CFR 120.214(c), Peg Rate Rules. Loans using the SBA's Optional Peg Rate cannot be sold in the secondary market.

### ***Select one and only one of the 7 following options***

#### ***Option 1—Fixed Rate***

The interest rate is **[interest rate]**% per year.

#### ***Option 2—Variable Rate***

The interest rate on this Note will fluctuate. The initial interest rate is **[initial interest rate]**% per year. This initial rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%. The initial interest rate must remain in effect until the first change period begins.

#### ***Option 3—Fixed and Variable Rate***

The initial interest rate is **[initial interest rate]**% per year for **[period]**. This initial rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%.

The interest rate on this Note will then begin to fluctuate as described below. The initial interest rate must remain in effect until the first change period begins.

#### ***Option 4—SBA Rate Fixed / Lender Rate Variable***

The interest rate is fixed at **[fixed interest rate]**% per year on the guaranteed portion of this Note. The interest rate on the non-guaranteed portion of this Note will fluctuate. The initial interest rate is **[initial interest rate]**% per year on this portion of the Note. This initial rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the Loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%. The initial interest rate must remain in effect until the first change period begins.

#### ***Option 5—SBA Rate Variable / Lender Rate Fixed***

The interest rate on the guaranteed portion of this Note will fluctuate and the initial interest rate is **[initial interest rate]**% per year on this portion. This initial interest rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the Loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%. The initial interest rate must remain in effect until the first change period begins. The interest rate on the non-guaranteed portion of this Note is fixed at **[fixed interest rate]**% per year.

#### ***Option 6—Two Fixed Rates***

The interest rate on **[first share of principal]**% of the outstanding principal balance is **[first interest rate]**% per year, and the interest rate on **[second share of principal]**% of the outstanding principal balance is **[second interest rate]**% per year.

#### ***Option 7—Split Variable And Fixed Rates***

The interest rate on a percentage of the principal balance of this Note will fluctuate and the interest rate on the remaining percentage of the principal balance of this Note is fixed. The initial interest rate on **[first share of principal]**% of the outstanding principal balance is **[first interest rate]**% per year. This initial rate is the **[prime rate/SBA Optional Peg Rate]** on the date SBA received the Loan application, plus **[% over [prime rate/SBA Optional Peg Rate]]**%. The initial interest rate must remain in effect until the first change period begins. The interest rate on **[second share of principal]**% of the outstanding principal balance is fixed at **[second interest rate - fixed]**%.

### ***PAYMENT TERM OPTIONS***

SOP 50-10(4), pg.207-211, Subpart "B", Chapter 1, Paragraphs 10 & 11.

#### ***Interest Only Options***

#### ***Select one or none of the 2 following options***

Note: if payment day is unknown, use '\_\_\_\_ calendar day'. The blank will then be filled-in in the Note at time of closing.

#### ***Option 1—One payment***

Borrower must pay one payment of interest only on the disbursed principal balance **[Number]** **[SELECT—month(s), quarter, calendar quarter, year]** from the month **SELECT (same as**

**in F.1. )**—this Note is dated—**OR**—of initial disbursement on this Note ]; payment must be made on the [ **SELECT**—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the month it is due.

#### **Option 2—More than 1 payment**

Borrower must pay a total of [ **number of payments** ] payments of interest only on the disbursed principal balance beginning [ **Number** ] [ **SELECT**—month(s), quarter, calendar quarter, year ] from the month **SELECT (same as in F.1. )**—this Note is dated—**OR**—of initial disbursement on this Note ] and [ **SELECT**—every [ **Number** ] month(s), every quarter, every calendar quarter, every year ] thereafter; payments must be made on the [ **SELECT**—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

#### **Other Payment Terms Options**

**Select one and only one of the 6 following options:**

Note: if payment day is unknown, use ' \_\_\_\_\_ calendar day'. The blank will then be filled-in in the Note at time of closing.

#### **Option 1- Principal And Interest**

Borrower must pay principal and interest payments of \$[ **Amount** ] every [ **Number** ] [ **SELECT**—month(s), quarter, calendar quarter, year ] beginning [ **Number** ] [ **SELECT**—month(s), quarter, calendar quarter, year ] from the month [ **SELECT (same as in F.1. )**—this Note is dated—**OR**—of initial disbursement on this Note ]; payments must be made on the [ **SELECT**—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

#### **Option 2—Interest Plus Principal**

Borrower must pay interest on the disbursed principal balance, plus principal of \$[ **Amount** ] every [ **Number** ] [ **SELECT**—month(s), quarter, calendar quarter, year ] beginning [ **Number** ] [ **SELECT**—month(s), quarter, calendar quarter, year ] from the month **SELECT (same as in F.1. )**—this Note is dated—**OR**—of initial disbursement on this Note ]; payments must be made on the [ **SELECT**—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

### ***Option 3—Regular Interest Plus Seasonal Principal***

Borrower must pay interest on the disbursed principal balance every [Number] [SELECT—month(s), quarter, calendar quarter, year], plus principal payments of \$[Amount] in the month(s) of [list of months] inclusive each year, beginning [Number] [SELECT—month(s), quarter, calendar quarter, year] from the month **SELECT (same as in F.1.)**—this Note is dated—OR—of initial disbursement on this Note ]; interest payments must be made on the [SELECT—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due; principal payments must be made on the [SELECT—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

### ***Option 4—Seasonal P And I, Payment Months Specified***

Borrower must pay monthly principal and interest payments of \$[Amount] in the months of [list of months] each year beginning [Number] [SELECT—month(s), quarter, calendar quarter, year] from the month **SELECT (same as in F.1.)**—this Note is dated—OR—of initial disbursement on this Note ]; payments must be made on the [SELECT—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

### ***Option 5—Seasonal P And I, Nonpayment Periods Specified***

Borrower must pay principal and interest payments of \$[Amount] every [Number] [SELECT—month(s), quarter, calendar quarter, year], except [exception period], beginning [Number] [SELECT—month(s), quarter, calendar quarter, year] from the month **SELECT (same as in F.1.)**—this Note is dated—OR—of initial disbursement on this Note ]; payments must be made on the [SELECT—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] in the months they are due.

### ***Option 6—Seasonal P And I, Two Different Payments Specified***

Borrower must pay monthly principal and interest payments of \$[Amount] in the months of [list of months] each year and \$[Amount] in the months of [list of months] beginning [Number] [SELECT - month(s), quarter, calendar quarter, year] from the month [SELECT (same as in F.1.)—this Note is dated—OR—of initial disbursement on this Note ]; payments must be made on the [SELECT—\_\_\_\_\_ calendar day, first calendar day, second calendar day, etc., same day as the date of this Note, same day as the date of initial disbursement on this Note ] of the month.

### ***Option 7—Mississippi Poultry***

**Note:** Use only with “Two fixed Rates” or “Split variable and fixed rates” interest rate options.

Borrower must pay principal and interest payments of \$[Amount] on [Percent]% of the disbursed principal balance on the first day of each quarter, beginning [Number] [SELECT—month(s), quarter, calendar quarter, year] from the month **SELECT (same as in F.1.)**—this Note is dated—OR—of initial disbursement on this Note ]. Borrower will pay additional principal payments of \$[Amount], on the same day.

***The following paragraph must always appear***

Lender will apply each installment payment first to pay interest accrued to the day Lender receives the payment, then to bring principal current, then to pay any late fees, and will apply any remaining balance to reduce principal.

***The following paragraph must appear if SBA loan proceeds are used to finance commercial real estate.***

SBA Policy Notice 5000-857, "Escrow Policy for Commercial Real Estate Taxes and Insurance for 7(a) Loans."

Lender may require Borrower to pay an additional amount into an escrow account for payment of real estate taxes and required insurance related to commercial real estate securing the loan.

***OPTIONS FOR VARIABLE OR SPLIT RATE LOANS ONLY***

SOP 50-10(4), pg. 205-212, Subpart "B", Chapter 1, Paragraphs 8, 10, 11 & 13.

Note : % above the prime rate must not exceed:

- a) 2.25%—If Loan is more than \$50,000 and matures in less than 7 years;
- b) 2.75%—If Loan is more than \$50,000 and matures in 7 years or more;
- c) 3.25%—If Loan is for \$25,001-\$50,000 and matures in less than 7 years;
- d) 3.75%—If Loan is for \$25,001-\$50,000 and matures in 7 years or more;
- e) 4.25%—If Loan is \$25,000 and under and matures in less than 7 years;
- f) 4.75%—If Loan is \$25,000 and under and matures in 7 years or more.

CFR 120.215.

The "SBA Optional Peg Rate" is the 'peg' rate published by SBA in the Federal Register for every calendar quarter.

***The following must always appear in variable or split rate loans***

The interest rate will be adjusted [**SELECT**—monthly, bimonthly, quarterly, semi-annually, annually, every calendar quarter, every calendar year, every [**number of months**] months, every [**number of years**] years **or** every calendar quarter, every calendar year] (the "change period").

[**Select**--The "Prime Rate" is the prime rate in effect on the first business day of the month in which an interest rate change occurs, as published in the Wall Street Journal on the next business day. **or** The "SBA Optional Peg Rate" is the 'peg' rate published by SBA in the Federal Register for every calendar quarter.]

The adjusted interest rate will be [% **above the [prime rate/SBA Optional Peg Rate]**]% above the [**prime rate/SBA Optional Peg Rate**]. Lender will adjust the interest rate on the first calendar day of each change period. The change in interest rate is effective on that day whether or not Lender gives Borrower notice of the change.

***Select one or none of the 2 following options:***

***Option 1—Ceiling and Floor Fixed***

The amount that the interest rate on this Note may vary is limited by a floor and a ceiling:

- (1) The maximum interest rate (ceiling) will not exceed [**ceiling**]% above the initial interest rate.



- (2) The minimum interest rate (floor) will not be less than **[floor]**% below the initial interest rate.

#### ***Option 2—Ceiling and Floor Variable***

The amount that the interest rate on this Note may vary is limited by a floor and a ceiling:

- (1) The maximum interest rate (ceiling) will not exceed **[ceiling]**% above the initial interest rate, and the minimum interest rate (floor) will not be less than **[floor]**% below the initial interest rate unless there is a change in the **[prime rate/SBA Optional Peg Rate]** between the date SBA receives the Loan application and the date of final disbursement.
- (2) If the **[prime rate/SBA Optional Peg Rate]** increases between those dates, the difference between the **[prime rate/SBA Optional Peg Rate]** on those two dates will be added to the ceiling rate and subtracted from the floor rate that was calculated in (1) above.
- (3) If the **[prime rate/SBA Optional Peg Rate]** decreases between those dates, the difference between the **[prime rate/SBA Optional Peg Rate]** on those two dates will be subtracted from the ceiling rate calculated in (1) above.

#### ***The following must always appear in variable or split rate loans***

SOP 50-10(4), pg. 210, Subpart “B”, Chapter 1, Paragraph 10.

Lender must adjust the payment amount at least annually as needed to amortize principal over the remaining term of the note.

If SBA purchases the guaranteed portion of the unpaid principal balance, the interest rate becomes fixed at the rate in effect at the time of the earliest uncured payment default. If there is no uncured payment default, the rate becomes fixed at the rate in effect at the time of purchase.

#### ***The following paragraph must appear in all loans.***

##### **Loan Prepayment:**

Notwithstanding any provision in this Note to the contrary:

**Borrower may prepay this Note.** Borrower may prepay 20 percent or less of the unpaid principal balance at any time without notice. If Borrower prepays more than 20 percent and the Loan has been sold on the secondary market, Borrower must:

- a. Give Lender written notice;
- b. Pay all accrued interest; and
- c. If the prepayment is received less than 21 days from the date Lender receives the notice, pay an amount equal to 21 days’ interest from the date lender receives the notice, less any interest accrued during the 21 days and paid under subparagraph b., above.

If Borrower does not prepay within 30 days from the date Lender receives the notice, Borrower must give Lender a new notice.



***The following paragraph must always appear in loans with a maturity of 15 years or more.***

**Additional payment charges apply.** When in any one of the first three years from the date of initial disbursement Borrower voluntarily prepays more than 25% of the outstanding principal balance of the loan, Borrower must pay to Lender on behalf of SBA a prepayment fee for that year as follows:

- a. During the first year after the date of initial disbursement, 5% of the total prepayment amount;
- b. During the second year after the date of initial disbursement, 3% of the total prepayment amount; and
- c. During the third year after the date of initial disbursement, 1% of the total prepayment amount.

***THE FOLLOWING PARAGRAPH MUST APPEAR IN ALL LOANS***

SOP 50-10(4), pg. 203, Subpart "B", Chapter 1, Paragraph 7.

All remaining principal and accrued interest is due and payable [**Maturity period—same as in F.1.**] from [**SELECT—Same as in F.1—date of Note—OR—date of initial disbursement** ].

***ADDITIONAL REPAYMENT OPTIONS***

***Select none, one or several of the 3 following options***

***Option 1—Late Charge***

CFR 120.221(d)/SOP 50-10(4), pg.224, Subpart "B", Chapter 1, Paragraph 16.b.(5).

Late Charge: If a payment on this Note is more than [**number of days (10 days minimum)—default is 10**] days late, Lender may charge Borrower a late fee of up to [**percent—default is 5**] % of the unpaid portion of the regularly scheduled payment.

***Option 2—Net Earnings Recapture Clause Option***

Note: when it is determined that this clause is necessary, it is recommended that the 'limitation of compensation' clause option be exercised. Otherwise, it is feasible for owner compensation to be adjusted to offset any requirements to prepay the loan.

Borrower must also pay, as a prepayment, an amount equal to [**SELECT—[Percent]**] % of Borrower's 'net earnings'—**OR—Borrower's 'net earnings' over \$[Amount]** ]. This payment is due within 90 days of each of Borrower's subsequent fiscal year ends, commencing with the date of the Note. 'Net earnings' is defined as net profit after tax plus depreciation less all principal payments paid on all indebtedness of Borrower at the time of application.

***Option 3—State Interest Rate Reduction Option***

In the event that Borrower qualifies for the [**Name of program, such as LIFT Focused Small Business Program**], Lender may accept a lower interest rate and resulting lower payments. If Borrower no longer qualifies for the [**Name of program—same as above**] or is in default under the terms of this Note, then the interest rate and payment will revert to the interest rate and payment specified above.

**Repayment terms—Open Options**  
**(Can be used to insert additional repayment terms as needed)**

**STATE SPECIFIC LANGUAGE**

**For 7a Wizard users:** The 7a Wizard automatically inserts the following options as appropriate.

***The following must appear when lien is on residential property located in California***

1. Lender must include in the Note the following language for residential property located in California:

*"Borrower acknowledges this Note is secured by a Deed of Trust in favor of Lender on real property located in \_\_\_\_\_ County, State of California. That Deed of Trust contains the following due-on-sale provision:..."* (Lender must add to the Note the due on sale clause exactly as it appears in the Deed of Trust.)

***The following must appear if any borrower is resident of Alaska***

2. The following language must appear in the Note above the borrower's signature :

*"The Mortgagor or Trust or (Borrower) is personally obligated and fully liable for the amount due under the Note. The Mortgagee or Beneficiary (Lender) has the right to sue on the Note and obtain a personal judgment against the Mortgagor or Trustor for the satisfaction of the amount due under the Note either before or after a judicial foreclosure of the Mortgage or Deed of Trust as under AS 09.45.170-09.45.220."*

***The following must appear if any borrower is resident of Wisconsin***

3. Lender must include in the Note the following language:

*"Each Borrower who is married represents that this obligation is incurred in the interest of his or her marriage or family."*

***The following must appear if any borrower is resident of Maryland***

4. Lender must include valid confession of judgment clauses in the Note for borrower(s) resident in Maryland.

***The following must appear if any borrower is resident of Virginia***

5. Lender must include valid confession of judgment clauses in the Note for borrower(s) resident in Virginia.

***The following must appear if any borrower is resident of Pennsylvania***

6. Lender, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Pennsylvania.

***The following must appear if any borrower is resident of Delaware***

7. Lender, at its option, may include confession of judgment clauses in the Note for borrower(s) resident in Delaware.

***The following must appear if any borrower is resident of Ohio***

8. Lender, at its option, may include confession of judgment clauses (cognovit judgment provisions) in the Note for borrower(s) resident in Ohio.

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For 7a Wizard users:

Use of Proceeds section starts here...

**G. USE OF PROCEEDS**

CFR 120.120 and 120.130/SOP 50-10(4), pg. 51 through 60-5, Subpart "A", Chapter 2, Paragraphs 10-13, General SBA rules on use of proceeds.

SOP 50-10(4), pg. 175, Subpart "A", Chapter 6, Paragraph 8.d.—Ensure loan funds are disbursed to the correct person and for authorized purpose.

***Insert as many use of proceeds paragraphs as needed using the following 21 options***

1. \$[Amount] to purchase land located at [location].
2. \$[Amount] to purchase land and improvements located at [location].
3. \$[Amount] to purchase improvements located at [location].
4. \$[Amount] to construct a building to be located at [location]. Construction financing guaranteed by SBA.
5. \$[Amount] to add an addition to the building located at [location]. Construction financing guaranteed by SBA.
6. \$[Amount] to make renovations to the building located at [location]. Construction financing guaranteed by SBA.
7. \$[Amount] to pay off interim construction loan from [Lender's name]. Construction financing not guaranteed by SBA.
8. \$[Amount] to pay off interim loan used for [description].
9. \$[Amount] to make leasehold improvements to the building located at [location]. Construction financing guaranteed by SBA.
10. \$[Amount] to purchase equipment.
11. \$[Amount] to purchase fixtures.
12. \$[Amount] to purchase inventory.
13. \$[Amount] to pay trade or accounts payable.
14. \$[Amount] to pay notes payable to [payee].
15. \$[Amount] to pay outstanding debt to [payee].
16. \$[Amount] to purchase the business known as [name of business] [OPTION—, according to the executed Purchase Agreement dated [date]].

17. \$[Amount] to purchase all outstanding stock of [name of corporation] held by [Stockholder].
18. \$[Amount] to pay SBA loan number [Loan number].
19. \$[Amount] for working capital.
20. \$[Amount] to pay the guarantee fee (Lender may not disburse Loan proceeds solely to pay the guarantee fee)
21. \$[Amount] [to/for (Write your own)].

***The following paragraphs must always appear***

CFR 120.111, 120.111(a)(5)/SOP 50-10(4), pg. 48, Subpart "A", Chapter 2, Paragraph 9, Q7 and A7—EPC use of proceeds, working capital; pg. 173, Subpart "A", Chapter 6, Paragraph 7.e. – Amount initially disbursed.

All amounts listed above are approximate. Lender may not disburse Loan proceeds solely to pay the guarantee fee. Lender may disburse to Borrower, as working capital only, funds not spent for the listed purposes as long as these funds do not exceed 10% of the specific purpose authorized or \$10,000.00, whichever is less. An Eligible Passive Company may not receive working capital funds.

SOP 50-10(4), pg. 319, Subpart "D", Chapter 2, Paragraph 4.b.—**1050 required**, (See also SOP 50-50(4), pg 9-9, Chapter 9, Paragraph 9 -**1050 required for purchase review**).

Lender must document that Borrower used the loan proceeds for the purposes stated in this Authorization. Lender must complete SBA Form 1050, Settlement Sheet, for each disbursement and retain these forms in its Loan file. Lender must retain, with the Form 1050, documentation supporting the disbursement of proceeds as authorized, such as joint payee checks or evidence of deposit into controlled accounts.

For 7a Wizard users:

Collateral Conditions section starts here...

## **H. COLLATERAL CONDITIONS**

Lender must obtain a lien on 100% of the interests in the following collateral and properly perfect all lien positions:

***Create as many collateral conditions as needed.***

### **IMPORTANT—READ THIS FIRST!**

This document offers an extensive choice of standard Collateral Conditions.

**Refer to Appendix A for the full boilerplate text of these Collateral Conditions.**

You can also write your own collateral conditions if the standard list does not offer the appropriate option.

1. [Insert first Collateral Condition here]
2. [Insert second Collateral Condition here]
3. [Etc.—Insert as many Collateral Conditions as needed]

***The following Collateral Condition must appear if borrower is an EPC***

13 CFR 120.111a(3)/SOP 50-10(4), pg.45 - 50-2, Subpart "A", Chapter 2, Paragraph 9—EPC requirements.

**For 7a Wizard users:** This option is automatically inserted when the "Borrower is an Eligible Passive Company" option is selected on the Borrower Information panel.

4. **Assignment of Rents from Eligible Passive Company.** Lender must obtain a perfected assignment of all rents paid under the lease between the Eligible Passive Company and the Operating Company. The term of lease, with options to renew exercisable solely by the Operating Company, must be for at least the term of the Loan. The lease must be subordinate to Lender's Security Interest, Deed of Trust or Mortgage. Lease payments must be no more than is necessary to amortize debt plus pay expenses related to holding the property.

***The following paragraphs must always appear***

13 CFR 101.106, Federal Law application to SBA programs & activities.

The following language must appear in all lien instruments including Mortgages, Deeds of Trust, and Security Agreements:

*"The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations:*

- a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law.*
- b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan.*

*Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument."*

**For 7a Wizard users:** the following paragraphs are automatically inserted by the 7a Wizard as appropriate.

***The following paragraphs must appear if any Borrower or any real estate is located in California***

**California Mandatory Provision**—The following language must appear in all guarantees if any borrower or any real estate is located in California :

*"Guarantor waives its rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to the guarantor by reason of California Civil Code Sections 2787 to 2855, inclusive.*

*The guarantor waives all rights and defenses that the guarantor may have because the debtor's debt is secured by real property. This means, among other things:*

- (1) The creditor may collect from the guarantor without first foreclosing on any real or personal property collateral pledged by the debtor.*
- (2) If the creditor forecloses on any real property collateral pledged by the debtor:*
  - (A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price.*
  - (B) The creditor may collect from the guarantor even if the creditor, by foreclosing on the real property collateral, has destroyed any right the guarantor may have to collect from the debtor.*

*This is an unconditional and irrevocable waiver of any rights and defenses the guarantor may have because the debtor's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure.*

*The guarantor waives all rights and defenses arising out of an election of remedies by the creditor, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise."*

If Guarantee is secured by Deed of Trust on residential property in California, Lender must also include in the guarantee the following language:

*"Guarantor acknowledges that this Guarantee is secured by a Deed of Trust in favor of Lender On real property located in \_\_\_\_\_ County, California. That Deed of Trust contains the following due-on-sale provision:..."* (Lender must add to the Guarantee the due on sale clause exactly as it appears in the Deed of Trust.)

***The following paragraphs must appear if a guarantee is to be signed  
by a resident of Arizona***

**Arizona Mandatory Provision**—The following language must appear in all guarantees (SBA Form 148) signed by Arizona residents:

*"The undersigned waives any rights it may have pursuant to ARS Section 12-1641 et seq., and agrees pursuant to ARS Section 33-814 that the obligations of the undersigned may be enforced regardless of whether or not any Trustee's sale of security for this debt is held."*

***The following paragraphs must appear if a guarantee is to be signed by a resident of Wisconsin***

**Wisconsin Mandatory Provision**—The following language must appear in all guarantees (SBA Form 148) signed by Wisconsin residents:

*‘Each Guarantor who is married represents that this obligation is incurred in the interest of his or her marriage or family.’*

***The following paragraph will appear if a guarantee is to be signed by a resident of Maryland***

**Maryland Mandatory Provision**—Lender must include valid confession of judgment clauses in guarantees signed by Maryland residents.

***The following paragraph will appear if a guarantee is to be signed by a resident of Virginia***

**Virginia Mandatory Provision**—Lender must include valid confession of judgment clauses in guarantees signed by Virginia residents.

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For 7a Wizard users:

Additional Conditions (Part I) starts here...

## **I. ADDITIONAL CONDITIONS**

### ***INSURANCE REQUIREMENTS (MANDATORY)***

#### **1. Insurance Requirements**

Prior to disbursement, Lender must require Borrower to obtain the following insurance coverage and maintain this coverage for the life of Loan:

#### ***Flood Insurance (MANDATORY for collateral)***

SOP 50-10(4), pg.106-109, Subpart "A", Chapter 5, Paragraph 6(b)—SBA Flood Insurance Requirements. Note: The SBA will require flood insurance on personal property collateral even when the real estate where the property is located is not collateral but is in a flood zone.

- a. **Flood Insurance.** If FEMA Form 81-93 reveals that any portion of the real property, equipment, fixtures or inventory that is collateral for the loan is located in a special flood hazard zone, Lender must require Borrower to obtain Federal flood insurance, or other appropriate special hazard insurance, in amounts equal to the lesser of the insurable value of the property or the maximum limit of coverage available. Insurance coverage must contain a MORTGAGEE CLAUSE/LENDER'S LOSS PAYABLE CLAUSE (or substantial equivalent) in favor of Lender. (Borrower will be ineligible for any future SBA disaster assistance or business loan assistance if Borrower does not maintain any required flood insurance for the entire term of the Loan.)

***Real Estate Hazard Insurance (MANDATORY for real estate collateral)***

13 CFR 120.160(c)/SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4—SBA Policy on Hazard Insurance.

- b. **Real Estate Hazard Insurance** coverage on all [**OPTION—business**] real estate that is collateral for the Loan in the amount of the full replacement cost. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a MORTGAGEE CLAUSE (or substantial equivalent) in favor of Lender. This clause must provide that any act or neglect of the mortgagor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

***Personal Property Hazard Insurance (MANDATORY for personal property collateral)***

13 CFR 120.160(c)/SOP 50-10(4), pg. 105, Subpart "A", Chapter 5, Paragraph 4—SBA Policy on Hazard Insurance.

- c. **Personal Property Hazard Insurance** coverage on all equipment, fixtures or inventory that is collateral for the Loan, in the amount of full replacement costs. If full replacement cost insurance is not available, coverage should be for maximum insurable value. Insurance coverage must contain a LENDER'S LOSS PAYABLE CLAUSE in favor of Lender. This clause must provide that any act or neglect of the debtor or owner of the insured property will not invalidate the interest of Lender. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

***Full Marine Insurance (OPTIONAL)***

- d. **Full Marine Insurance** coverage in the amount of the full insurable value on the following vessel(s): [**List of insured Vessels**]; with Lender designated as "Mortgagee". The policy must contain a Mortgagee clause providing that the interest of Lender will not be invalidated by any: (1) act, omission, or negligence of the mortgagor, owner, master, agent or crew of the insured vessel; (2) failure to comply with any warranty or condition out of mortgagee's control; or (3) change in title, ownership or management of the vessel. The policy must include Protection and Indemnity, Breach of Warranty, and Pollution coverage. The policy or endorsements must provide for at least 10 days prior written notice to Lender of policy cancellation.

***Life Insurance (OPTIONAL)***

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1.h.(8)—SBA Life & Disability Insurance Requirements. See also pg.113-114, Subpart "A", Chapter 5, Paragraph 6.g.

- e. **Life Insurance**, satisfactory to Lender:
- (1) on the life of [**Name of Individual**] in the amount of \$[**Amount**].
  - (2) on the life of [**Name of Individual**] in the amount of \$[**Amount**].
  - (3) [**add more if needed**]

Lender must obtain a collateral assignment of each policy with Lender as assignee. Lender must also obtain acknowledgment of the assignment by the Home Office of the Insurer.



***Liability Insurance (OPTIONAL)***

- f. **Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

***Product Liability Insurance (OPTIONAL)***

- g. **Product Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

***Dram Shop/Host Liquor Liability Insurance (OPTIONAL)***

- h. **Dram Shop/Host Liquor Liability Insurance** in an amount and with an insurance company satisfactory to Lender.

***Malpractice Insurance (OPTIONAL)***

- i. **Malpractice Insurance** in an amount and with an insurance company satisfactory to Lender.

***Disability Insurance (OPTIONAL)***

SOP 50-10(4), pg. 94, Subpart "A", Chapter 4, Paragraph 1.h.(8)—SBA Life & Disability Insurance Requirements See also pg.113-114, Subpart "A", Chapter 5, Paragraph 6.g.

- j. **Disability Insurance** covering **[Names of Individuals]** in an amount and with an insurance company satisfactory to Lender.

***Workers' Compensation Insurance (OPTIONAL)***

- k. **Workers' Compensation Insurance** in an amount meeting state law requirements and with an insurance company satisfactory to Lender.

***State Specific Insurance (OPTIONAL)***

- l. **[SELECT or Write your own—State Specific insurance requirement, such as Florida Petroleum Liability Insurance (FLIRP)]**

**Insurance Requirements—Open Options  
(Can be used to add other Insurance Requirements as needed)**

***ENVIRONMENTAL REQUIREMENTS (MANDATORY if commercial real property is Primary Collateral)***

SOP 50-10(4), pg. 118, Subpart "A", Chapter 5, Paragraph 7(b)(10)—Primary Collateral Definition; pg. 115 - 128-2, Subpart "A", Chapter 5, Paragraph 7—SBA Environmental Policy  
All references to SOP 50-10(4) include successor SOP provisions.

**2. Environmental Requirements**

***Select one and only one of the 2 following options***

***Option 1—Select if Loan is over \$25,000***

- a. Lender may not disburse the Loan until it has:

- (1) completed the review for potential environmental contamination required in SOP 50-10(4) (“Environmental Investigation”) on each business real property site that is:
  - (a) acquired or improved with proceeds from Loan, or
  - (b) taken as collateral if the site represents over 50% of the value of all collateral securing the Loan; and
- (2) sufficiently minimized the risk from any adverse environmental findings discovered in the Environmental Investigation, or otherwise, as required by SOP 50 10(4), Subpart A, Chapter 5, Paragraph 7 (Environmental Conditions).

***Insert the following paragraph (b) for regular non-PLP loans when Lender did not submit the results of the Environmental Investigation.***

- b. Lender must submit the results of the Environmental Investigation to the SBA office listed above for SBA approval prior to disbursement. If Lender or SBA determines from the Environmental Investigation that there is potential environmental contamination, Lender may not disburse the Loan until SBA is satisfied that the risk has been sufficiently minimized. Adverse environmental findings may lead to cancellation of the SBA guarantee.
- c. Lender should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

***Option 2 -Select if Loan is \$25,000 or less***

- d. Lender may disburse the Loan without an Environmental Investigation under SOP 50-10(4) if:
  - (1) Borrower certifies in writing that Borrower has no knowledge of any past or present contamination at the site; and,
  - (2) Lender has no information to the contrary.
- e. Lender should consult with the local SBA office where the real property is located to ascertain any state or local environmental requirements.

**Environmental Requirements—Open Options  
(Can be used to create Environmental Requirements as needed)**

NOTE : If the Environmental Investigation submitted with the application reveals risks of environmental contamination, and there is a reasonable expectation that any environmental issue can be resolved under the guidelines of SOP 50-10(4), the Loan Officer, in consultation with counsel, should use this section to add Authorization conditions based on the SOP guidelines.

**BORROWER, GUARANTOR AND OPERATING COMPANY DOCUMENTS  
(MANDATORY)**

**3. Borrower, Guarantor and Operating Company Documents**

***The following paragraphs must always appear***

- a. Prior to closing, Lender must obtain from Borrower, Guarantor and Operating Company a current copy of each of the following as appropriate:
- (1) **Corporate Documents**—Articles or Certificate of Incorporation (with amendments), any By-laws, Certificate of Good Standing (or equivalent), Corporate Borrowing Resolution, and, if a foreign corporation, current authority to do business within this state.
  - (2) **Limited Liability Company (LLC) Documents**—Articles of Organization (with amendments), Fact Statement or Certificate of Existence, Operating Agreement, Borrowing Resolution, and evidence of registration with the appropriate authority.
  - (3) **General Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable.
  - (4) **Limited Partnership Documents**—Partnership Agreement, Certificate as to Partners, and Certificate of Partnership or Good Standing (or equivalent), as applicable, Certificate of Limited Partnership, and evidence of registration with the appropriate authority.
  - (5) **Limited Liability Partnership (LLP) Documents**—Partnership Agreement, Certificate as to Partners, Certificate of Partnership or Good Standing (or equivalent) as applicable, and evidence of registration with the appropriate authority.
  - (6) **Trustee Certification**—A Certificate from the trustee warranting that:
    - (a) The trust will not be revoked or substantially amended for the term of the Loan without the consent of SBA;
    - (b) The trustee has authority to act;
    - (c) The trust has the authority to borrow funds, guarantee loans, and pledge trust assets;
    - (d) If the trust is an Eligible Passive Company, the trustee has authority to lease the property to the Operating Company;
    - (e) There is nothing in the trust agreement that would prevent Lender from realizing on any security interest in trust assets;
    - (f) The trust agreement has specific language confirming the above; and
    - (g) The trustee has provided and will continue to provide SBA with a true and complete list of all trustors and donors.
  - (7) **Trade Name**—Documentation that Borrower has complied with state requirements for registration of Borrower's or Operating Company's trade name (or fictitious name), if one is used.
- b. Prior to closing, Lender must obtain from Borrower and Operating Company:
- (1) **Ownership**—Evidence that ownership and management have not changed without Lender's approval since the application was submitted.

***The Following Paragraphs (2 to 9) are optional***

Note: Paragraph (4), (6), (7), (8) and (9) may be repeated if necessary

- (2) **Purchase-Sale Agreement**—Executed Purchase-Sale Agreement [**OPTION**—(to include satisfactory non-compete agreement)].
- (3) **Bulk Sales or Transfer**—Evidence that seller has complied with Bulk Sales or Transfer provisions of state law, if applicable, or has arranged to protect Borrower's purchased assets from claims of seller's creditors.
- (4) **Non-Compete**—Evidence that [**Principal's Name**] does not have a Non-Compete Contract with [**Competitor's Name**].
- (5) **Consideration for Stock Purchase**—A certification by the following corporation(s): [**List of Corporations**]; acknowledging that: (a) the Loan proceeds will be used to acquire all or part of its corporate stock; (b) it promises to be jointly and severally liable for the debt; (c) the Loan assistance constitutes sufficient consideration for such promise; and (d) it waives any defense relating to failure of consideration.
- (6) **Subordinate Funding**—Evidence that Borrower has received the proceeds of a loan from [**Name**] in the amount of \$[**Amount**], for a term of not less than [**Term**] years. This loan must be subordinate to the Loan.
- (7) **Other Funding (loan)**—Evidence that Borrower has received the proceeds of a loan from [**Name**] in the amount of \$[**Amount**], for a term of not less than [**Term**] years.
- (8) **Other Funding (grant or gift)**—Evidence that Borrower has received the proceeds of a grant or a gift from [**Name**] in the amount of \$[**Amount**].
- (9) **Other Funding (line of credit)**—Evidence that Borrower has received access to a line of credit from [**Name**] in the amount of \$[**Amount**].

**Borrower and OC documents—Open Options  
(Can be used to add other Borrower and OC documents as needed)**

## ***OPERATING INFORMATION (MANDATORY)***

### **4. Operating Information**

Prior to any disbursement of Loan proceeds, Lender must obtain:

#### ***Verification of Financial Information (MANDATORY)***

SOP 50-10(4), pg. 153 - 156-2, Subpart "A", Chapter 6, Paragraph 4.f. Procedural Notice 5000-753. Information Notice 5000-908—Form 4506-T with SBA Logo required. SBA periodically updates IRS contact information.

SOP 50-10(4), pg. 195-196, Subpart "B", Chapter 1, Paragraph 3.c. – Change of Ownership

- a. **Verification of Financial Information**—Lender must submit IRS Form 4506-T (SBA version) to the Internal Revenue Service to obtain federal income tax information on Borrower, or the Operating Company if Borrower is an EPC, for the last 3 years (unless Borrower or Operating Company is a start-up business). If the business has been operating for less than 3 years, Lender must obtain the information for all years in operation. This requirement does not include tax information for the most recent fiscal year if the fiscal year-end is within 6 months of the date SBA received the application. Lender must compare the tax data received from the IRS with the financial data or tax returns submitted with the Loan application, and relied upon in approving the Loan. Borrower must resolve any significant differences to the satisfaction of Lender and SBA. Failure to resolve differences may result in cancellation of the Loan.

If the Loan involves purchase of a business or change of ownership, Lender must verify financial information provided by the seller of the business in the same manner as above.

If Lender does not receive a response from the IRS within 10 business days of submitting the IRS Form 4506-T, then Lender may disburse prior to completing this verification provided that Lender has submitted IRS Form 4506-T to the IRS no later than 10 business days from the approval date of this Authorization. Lender must still perform the verification and resolve any significant differences discovered.

#### ***Authority to Conduct Business (MANDATORY)***

- b. **Authority to Conduct Business**—Evidence that Borrower and Operating Company have an Employer Identification Number and all insurance, licenses, permits and other approvals necessary to lawfully operate the business.

#### ***Flood Hazard Determination (MANDATORY)***

SOP 50-10(4), pg. 106-109, Subpart "A", Chapter 5, Paragraph 6.b.—SBA Flood Insurance Requirements

- c. **Flood Hazard Determination**—A completed Standard Flood Hazard Determination (FEMA Form 81-93).

#### ***Lease (OPTIONAL)***

Use this provision if any collateral is on leased premises.

**Paragraph d.** is the general rule; use **paragraph e.** only if Lender has approval to allow a lease of less than the term of the loan; use **paragraph f.** to protect leasehold improvements; use

**paragraph g.** if you are trying to keep the Borrower in the present location regardless of where the collateral is located.

SOP 50-10(4), pg. 91-93, Subpart "A", Chapter 4, Paragraph 1.h.(5)—Collateral on Leased Property

- d. **Lease**—Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan.
- e. **Lease**—Current lease(s) on all business premises where collateral is located, with an adequate term, including options, appropriate to the maturity of the Loan, considering location, type of business, and type of leasehold interest.
- f. **Lease**—Current lease(s) on all business premises where collateral is located with term, including options, at least as long as the term of the Loan plus **[number of years]** years.
- g. **Lease**—Current lease(s) on all business premises with a term, including options to renew exercisable by the Borrower, at least as long as the term of the Loan.

#### ***Agreement of Franchisor (OPTIONAL)***

SOP 50-10(4), pg. 112-13, Subpart "A", Chapter 5, Paragraph 6f.

Note: Each option within the Agreement of Franchisor (options (1) to (4) ) is optional

- h. **Agreement of Franchisor :**
  - (1) That Lender and SBA can have access to Franchisor's books and records relating to Borrower's billing, collections and receivables.
  - (2) That upon Loan payment default or deferment, to defer payment of franchise fees, royalties, advertising, and other fees until Borrower brings Loan payments current **[OPTION—or for [months] months, whichever is less]**.
  - (3) To give Lender 30 days notice of intent to terminate the Franchise Agreement.
  - (4) To give Lender an opportunity to cure any defaults. Deferment of fees will not be cause for franchise termination.

For 7a Wizard users:

Additional Conditions (Part II) starts here...

#### ***INJECTION (OPTIONAL)***

CFR 120.150(f)/SOP 50-10(4), pg.86-88, Subpart "A", Chapter 4, Paragraph 1.f.—SBA Injection Policy

### **5. Injection**

Lender must obtain evidence that prior to disbursement:

#### ***Select one or more of the following paragraphs (a to d)***

- a. **Cash Injection**—At least \$**[Amount]** cash has been injected into the business as equity capital. This cash is for **[Description]**.
- b. **Standby Debt Injection**—At least \$**[Amount]** cash has been injected into the business. This cash is for **[Description]**. Borrower may obtain this cash from a loan that is Standby Debt until Borrower pays Lender in full.

- c. **Equity Injection / Standby Debt Injection**—At least \$[Amount] cash has been injected into the business. The cash is for [Description]. Borrower may obtain cash from personal resources or from a loan that is Standby Debt until Borrower pays Lender in full. Any such debt must be covered by a standby agreement substantially equivalent to SBA Form 155, with no payment permitted.
- d. **Asset Injection**—Assets with a fair market value of not less than \$[Amount] have been injected into the business as equity capital.

**STANDBY AGREEMENT (MANDATORY if Standby Debt Injection  
is selected above)**

SOP 50-10(4), pg.86-88, Subpart "A", Chapter 4, Paragraph 1.f.(5)-(7)—SBA Standby Injection Policy

**6. Standby Agreement**

***The following section must be repeated for each standby creditor***

- a. Lender to obtain Standby Creditor's Agreement from [Name], for \$[Amount], plus all accrued and future interest (Standby Debt).

**[SELECT one of the following repayment options -**

No payment of principal or interest is to be made on Standby Debt during the term of the Loan.

**OR** Monthly payments of interest on Standby Debt, at [Rate]% per year, may be made if Borrower is not in default under the Note.

**OR** Monthly payments of \$[Amount], consisting of principal and interest on Standby Debt, at [Rate]% per year, may be made if Borrower is not in default under the Note.

**OR** Monthly payments of \$[Amount], consisting of principal and interest on Standby Debt, at [Rate]% per year, beginning [Begin Date] may be made if Borrower is not in default under the Note.

**OR (Write Your Own) ]**

Standby Creditor must subordinate any lien rights in collateral securing the Loan to Lender's rights in the collateral, and take no action against Borrower or any collateral securing the Standby Debt without Lender's consent. Lender must attach a copy of the Standby Note evidencing the Standby Debt to the Standby Creditor's Agreement. Lender may use its own form or SBA Form 155.

**APPRAISAL (OPTIONAL)**

CFR 120.160(b)/SOP 50-10(4), pg. 101-104-2, Subpart "A", Chapter 5, Paragraph 3—SBA Appraisal Requirements

**7. Appraisal**

Prior to disbursement, and in accordance with SOP 50-10, Lender must obtain:

***The 4 following options may be used several times if necessary***

- a. **Real Estate Appraisal** on the real property located at [Address], showing a fair market value of at least \$[Amount].

- b. **Equipment Appraisal** on the equipment (and fixtures if not included in a real estate appraisal) described as **[Description]**, showing a fair market value of at least **[\$Amount]**.
- c. **Marine Survey and Appraisal** on the vessel named **[Name]**, showing a fair market value of at least **[\$Amount]**.
- d. **Aircraft Appraisal** on the following aircraft—Make: **[Make]**, Model: **[Model]**, Year: **[Year]**—showing a fair market value of at least **[\$Amount]**.

**CONSTRUCTION PROVISIONS (MANDATORY if project includes construction)**

SOP 50-10(4), pg. 110-111, Subpart "A", Chapter 5, Paragraph 6.e.—SBA Construction Loan Requirements. See also CFR 120.200/SOP 50-10(4), pg. 191-192, Subpart "B", Chapter 1, Paragraph 1—Bonding Requirements.

**For 7a Wizard users:** This section is automatically inserted by the 7a wizard if Use of Proceeds (G) includes paragraphs 4, 5, 6, 7 or 9.

**8. Construction Provisions**

- a. **Building Standards:** In the construction of a new building or an addition to an existing building, the construction must conform with the "National Earthquake Hazards Reduction Program Recommended Provisions for the Development of Seismic Regulations for New Buildings" (NEHRP), or a building code that SBA has identified as having substantially equivalent provisions. Lender must obtain from Borrower evidence of compliance with these requirements. The evidence must be either a certificate issued by a licensed building architect, construction engineer or similar professional, or a letter from a state or local government agency stating that an occupancy permit is required and that the local building codes upon which the permit is based include the Seismic standards.

The following Codes have been identified as substantially equivalent to NEHRP:

- (1) Uniform Building Code of the International Congress of Building Officials (ICBO), as amended,
- (2) Building Officials and Code Administrators (BOCA) National Building Code, as amended,
- (3) Southern Building Code Congress (SBCC) Standard Building Code, as amended.
- b. Lender may charge Borrower a one-time fee not to exceed 2% of the portion of the Loan designated for construction. The actual fee must not exceed the cost of the extra service.

**Select one of the 3 following options**

**Option 1—Construction Financing has SBA Guarantee; \$125,000 or less**

- c. **Compliance Form**—Lender must obtain SBA Form 601, Applicant's Agreement of Compliance, for projects where the construction costs exceed \$10,000.
- d. **Construction Safeguards**—Lender must take all normal construction Loan safeguards appropriate for the Loan. These safeguards may include reviewing plans and specifications, cost breakdowns, bonds, contracts, and builder's controls, and imposing necessary changes or requirements.



### ***Option 2—Construction Financing has SBA Guarantee; more than \$125,000***

- e. Prior to the commencement of any construction, Lender must obtain from Borrower:
  - (1) **Bonds**—Evidence that the contractor has furnished a 100% performance bond and labor and materials payment bond. Only a corporate surety approved by the Treasury Department using an American Institute of Architect's form or comparable coverage may issue these bonds. Only Borrower may be named as obligee on the bonds.
  - (2) **Insurance**—Evidence that contractor carries appropriate Builder's Risk and Worker's Compensation Insurance.
  - (3) **Injection**—Evidence that Borrower has injected the required funds into the project prior to disbursement of the Loan, if Borrower is injecting funds into the construction project.
  - (4) **Plans and Specifications**—Final plans and specifications for Lender review.
  - (5) **Construction Contract**—One (1) copy of a Construction Contract with an acceptable contractor at a specified price not to exceed \$[Amount]. The contract must include an agreement that Borrower will not order or permit any material changes in the approved plans and specifications without prior written consent of Lender and the surety providing the required bonds.
- f. **Lender must:**
  - (1) **Cost Overruns**—Obtain evidence of Borrower's ability to pay cost overruns or additional construction financing expenses prior to approving any contract modification. Lender and SBA are not obligated to increase the loan to cover cost overruns.
  - (2) **Inspection**—Make interim and final inspections to determine that construction conforms to the plans and specifications.
  - (3) **Codes and Permits**—Obtain evidence that the building, when completed, will comply with all state and local building and zoning codes, and applicable licensing and permit requirements.
  - (4) **Compliance Form**—Obtain SBA Form 601, Applicant's Agreement of Compliance.
  - (5) **Lien Waivers**—Obtain lien waivers or releases from all materialmen, contractors, and subcontractors involved in the construction.
  - (6) **Construction Safeguards**—Take all normal other construction loan safeguards appropriate for the Loan.

### ***Option 3—Construction Financing without SBA Guarantee***

- g. **Financing**—Interim financing provided by [name] at its own risk.
- h. **Required Documentation**—At or prior to closing the Loan if any proceeds will be used to repay interim construction financing, Lender must obtain evidence that:
  - (1) contractor has substantially completed construction;
  - (2) all elements of the construction are paid in full;
  - (3) Borrower or Operating Company occupies (or will shortly occupy in the case of an escrow closing) the property;
  - (4) the property complies with all zoning and necessary governmental permit and licensing requirements; and

- (5) no unpaid labor or material liens exist.

## **CERTIFICATIONS AND AGREEMENTS (MANDATORY)**

### **9. Certifications and Agreements**

***The following paragraph always appears***

- a. Lender must require Borrower and Operating Company to certify that:

#### ***Receipt of Authorization (MANDATORY)***

- (1) **Receipt of Authorization**—Borrower and Operating Company have received a copy of this Authorization and SBA Form 793, Notice to New SBA Borrower, from Lender, and acknowledge that:
- (a) The Authorization is not a commitment by Lender to make a loan to Borrower;
  - (b) The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
  - (c) The Note will require Borrower to give Lender prior notice of intent to prepay.
  - (d) If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
  - (e) Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.

#### ***Child Support (MANDATORY)***

CFR 120.171/SOP 50-10(4), pg.129, Subpart "A", Chapter 6, Paragraph, 1.b.

- (2) **Child Support**—No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (a) administrative order, (b) court order, or (c) repayment agreement requiring payment of child support.

#### ***Current Taxes (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 5—SBA Tax Policy

- (3) **Current Taxes**—Borrower and Operating Company are current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.

#### ***Environmental (MANDATORY)***

SOP 50-10(4), pg. 115 - 128-2, Chapter 5, Paragraph 7—SBA Environmental Policy

- (4) **Environmental** — For any real estate pledged as collateral for the Loan or where the Borrower [**or Operating Company**] is conducting business operations (collectively "the Property"):
- (a) At the time Borrower [**and Operating Company**] submitted the Loan application, Borrower was in compliance with all local, state, and federal

environmental laws and regulations pertaining to reporting or clean-up of any hazardous substance, hazardous waste, petroleum product, or any other pollutant regulated by state or federal law as hazardous to the environment (Contaminant), and regarding any permits needed for the creation, storage, transportation or disposal of any Contaminant;

- (b) Borrower **[and Operating Company]** will continue to comply with these laws and regulations;
- (c) Borrower **[and Operating Company]** , and all of its principals, have no knowledge of the actual or potential existence of any Contaminant that exists on, at, or under the Property , including groundwater under such Property other than what was disclosed in connection with the Environmental Investigation of the Property;
- (d) Until full repayment of Loan, Borrower **[and Operating Company]** will promptly notify CDC and SBA if it knows or suspects that there has been, or may have been, a release of a Contaminant, in, at or under the Property, including groundwater, or if Borrower **[or Operating Company]** or such property are subject to any investigation or enforcement action by any federal, state or local environmental agency (Agency) pertaining to any Contaminant on, at, or under such Property, including groundwater.
- (e) As to any Property owned by Borrower **[or Operating Company]**, Borrower **[or Operating Company]** indemnifies, and agrees to defend and hold harmless, CDC [or Lender] and SBA, and any assigns or successors in interest which take title to the Property, from and against all liabilities, damages, fees, penalties or losses arising out of any demand, claim or suit by any Agency or any other party relating to any Contaminant found on, at or under the Property, including groundwater, regardless of whether such Contaminant resulted from Borrower's **[or Operating Company's]** operations. (CDC or SBA may require Borrower **[or Operating Company]** to execute a separate indemnification agreement).

***The following paragraph always appears***

- b. Lender must require Borrower and Operating Company to certify that they will:

***Reimbursable Expenses (MANDATORY)***

CR 120.221-222/SOP 50-10(4), pg. 222, Subpart "B", Chapter 1; Paragraph 16—SBA policy on Fees Lenders may charge; Paragraph 17—Fees Not Allowed by SBA

- (1) **Reimbursable Expenses-** Reimburse Lender for expenses incurred in the making and administration of the Loan.

### ***Books, Records and Reports (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 6—SBA Financial statement Requirements

(2) **Books, Records, and Reports-**

- (a) Keep proper books of account in a manner satisfactory to Lender;
- (b) Furnish [~~OPTION—compiled—OR—reviewed—OR—audited~~] year-end statements to Lender within [**number of days, default is 120**] days of fiscal year end;
- (c) Furnish additional financial statements or reports whenever Lender requests them;
- (d) Allow Lender or SBA, at Borrower's or Operating Company's expense, to:
  - [1] Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and
  - [2] Inspect and appraise any of Borrower's and Operating Company's assets; and
  - [3] Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by Lender or SBA.

### ***Equal Opportunity (MANDATORY)***

CFR 120.176/SOP 50-10(4), pg. 135, Subpart "A", Chapter 6, Paragraph 1.g.—Compliance with Anti-Discrimination Laws

- (3) **Equal Opportunity**—Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public, and comply with the requirements of SBA Form 793, Notice to New SBA Borrowers.

### ***American-made Products (MANDATORY)***

This provision is required by Congress and is included in SBA's appropriations laws.

- (4) **American-made Products**—To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

### ***Taxes (MANDATORY)***

SOP 50-10(4), pg. 106, Subpart "A", Chapter 5, Paragraph 5—SBA Tax Policy

- (5) **Taxes**—Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

**Occupancy (MANDATORY if building purchased, renovated, or constructed with loan proceeds)**

Insert paragraph (6) or (7) if Loan proceeds include purchase or renovation of an **existing** building. **Use (6) for non EPC loans; use (7) for EPC loans.**

**OR**

Insert paragraph (8) or (9) if Loan proceeds include construction of a **new** building.  
**Use (8) for non EPC loans; use (9) for EPC loans.**

CFR 120.131—SBA Occupancy Policy

**For 7a Wizard users:** When the occupancy options are selected, the wizard automatically inserts either paragraph (7) or (9) for EPC loans or (6) or (8) for non-EPC loans.

- (6) **Occupancy**—Occupy, at all times during the term of the Loan, at least 51% of the total Rentable Property and 100% of the renovated Rentable Property. Borrower will not use Loan proceeds to improve or renovate any of the Rentable Property leased to third parties.
- (7) **Occupancy**—Comply with the following provisions: (a) Borrower must lease 100% of the Rentable Property to Operating Company; (b) Operating Company may sublease up to 49% of the Rentable Property; (c) Borrower will not use Loan proceeds to improve or renovate any of the Rentable Property to be sub-leased.
- (8) **Occupancy**—(a) Immediately occupy of at least 60% of the Rentable Property; (b) Continue to occupy at least 60% of the Rentable Property for the term of the Loan; (c) Lease long term no more than 20% of the Rentable Property to one or more tenants; (d) Plan to occupy within three years some of the remaining Rentable Property not immediately occupied or leased long term; (e) Plan to occupy within ten years all of the Rentable Property not leased long term.
- (9) **Occupancy**—Comply with the following provisions: (a) Borrower must lease 100% of the Rentable Property to Operating Company; (b) Operating Company must immediately occupy at least 60% of the Rentable Property; (c) Operating Company will lease long term no more than 20% of the Rentable Property to one or more tenants; (d) Operating Company must plan to occupy within three years some of the remaining Rentable Property not immediately occupied or leased long term; (e) Operating Company must plan to occupy within ten years all of the Rentable Property not leased long term.

**Certifications and Agreements—Open Options I  
(Use to add other Certifications and Agreements as needed)**

***The following paragraph always appears***

- c. Lender must require Borrower and Operating Company to certify that they will not, without Lender's prior written consent:

***Distribution (MANDATORY)***

- (1) **Distributions** - Make any distribution of company assets that will adversely affect the financial condition of Borrower and/or Operating Company.

***Ownership Changes (MANDATORY)***

- (2) **Ownership Changes**—Change the ownership structure or interests in the business during the term of the Loan.

***Transfer of Assets (MANDATORY)***

- (3) **Transfer of Assets**—Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.

***Fixed Asset Limitation (OPTIONAL)***

SOP 50-10(4), pg.110, Subpart "A", Chapter 5, Paragraph 6.c.

- (4) **Fixed Asset Limitation**—Acquire by purchase or lease agreement any fixed assets (totaling more than \$[Amount] in any year).

***Location Limitation (OPTIONAL)***

- (5) **Location Limitation**—Acquire by purchase or by lease, any additional locations.

***Limitation on Compensation (OPTIONAL)***

SOP 50-10(4), pg. 110, Subpart "A", Chapter 5, Paragraph 6.c.

- (6) **Limitation on Compensation**—Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower and Operating Company, and their immediate family members, to exceed \$[Amount].

**Certifications and Agreements—Open Options II  
(Use to add other Certifications and Agreements as needed)**

---

For 7a Wizard users:

Signature Block section starts here...

ADMINISTRATOR  
SMALL BUSINESS ADMINISTRATION

[Approval Date]

---

By: [Name, Title]

Date

[MUST APPEAR if PLP loan—a Preferred Lender, as Lender and as an agent of and on behalf of the SBA for the purpose of executing this Authorization. ]

***The following appears for non-PLP loans only***

In consideration of SBA's guarantee of the Loan to be made by Lender to Borrower, Lender accepts the above conditions.

[Lender's Name]

---

By: (Name, Title)

Date

# Appendix A

## Standard Collateral Conditions

### PLEASE READ THIS FIRST !

This appendix is used for both 7(a) and 504 Authorizations  
All references to “Lender” in this appendix apply only to the 7(a) Authorization.  
**For 504 authorizations, “CDC” will replace “Lender”.**

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## A. Guarantees

SBA generally takes a full unconditional guarantee.

SOP 50-10(4), pg. 98-99, Subpart “A”, Chapter 4, Paragraph 2 - SBA requirements for Guarantees. Holders of 20% or more ownership interest must guarantee the loan.

If this is an EPC/OC loan, then under SOP 50-10(4), pg.45 - 50-2, Chapter 2, Paragraph 9, the Operating Company must guarantee the loan if it is not a Co-Borrower.

If the EPC is a trust, then under SOP 50-10(4), pg.49, all trustors and donors must guarantee the loan.

See also SBA Inst 148 (Instructions for Use of SBA Form 148 and 148L)

### 1. Full Unsecured Guarantee

**Guarantee on SBA Form 148**, by **[Name of guarantor]**, resident in **[State/Country Name]**.

### 2. Full Secured Guarantee

**Guarantee on SBA Form 148**, by **[Name of guarantor]**, resident in **[State/Country Name]**.

Note: When securing a guarantee, references to “Borrower” are replaced with “Guarantor”, and references to “due on sale clause” are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

### 3. Limited Unsecured Guarantee

**Limited Guarantee on SBA Form 148 (use 148L if available)**, by **[Name of guarantor]**, resident in **[State/Country Name]**.

*Select One And Only One Of The Following Paragraphs*

**BALANCE REDUCTION LIMITATION:** The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

**PRINCIPAL REDUCTION LIMITATION:** The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

**MAXIMUM LIABILITY LIMITATION:** The Guarantee is limited to Guarantor’s payment of **[\$[Amount]]**.

**PERCENTAGE LIMITATION:** The Guarantee is limited to Guarantor’s payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the “Guarantee Period”). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor’s community property or spousal interest in collateral pledged to secure the Note or any guarantee.

#### 4. Limited Secured Guarantee

**Limited Guarantee on SBA Form 148 (use 148L if available), by [Name of guarantor], resident in [State/Country Name].**

*Select One And Only One Of The Following Paragraphs*

BALANCE REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the total of all amounts owing under the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

PRINCIPAL REDUCTION LIMITATION: The Guarantee is of all amounts owing under the Note, and will continue until the outstanding principal balance of the Note is reduced below **[\$[Amount]]**, at which time Guarantor will be released from liability if the Note is not in default.

MAXIMUM LIABILITY LIMITATION: The Guarantee is limited to Guarantor’s payment of **[\$[Amount]]**.

PERCENTAGE LIMITATION: The Guarantee is limited to Guarantor’s payment of **[Percent]%** of all amounts owing under the Note at the time demand is first made on Guarantor, plus the same percentage of any accrued interest and other costs charged to the Note after demand, until Guarantor fully performs this Guarantee.

TIME LIMITATION: The Guarantee is of all amounts owing under the Note. The Guarantee will continue until **[number of years]** year(s) after the date of the Note (the “Guarantee Period”). If Borrower is in default at the end of the Guarantee Period, the Guarantee will continue until all defaults are cured.

COLLATERAL/RECOURSE LIMITATION: The Guarantee is limited to the amount Lender obtains from the following collateral pledged by Guarantor: **[Collateral]**

COMMUNITY PROPERTY OR SPOUSAL INTEREST LIMITATION: The Guarantee is limited to Guarantor’s community property or spousal interest in collateral pledged to secure the Note or any guarantee.

*The following always appears*

Note: When securing a guarantee, references to “Borrower” are replaced with “Guarantor”, and references to “due on sale clause” are deleted.

Secured by: **[Reverts to full list of collateral conditions to select]**

## B. Realty And Leaseholds

### 1. Lien On Land And Improvements

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

**[SELECT - First, Second, Third, Fourth, Fifth] [SELECT - Deed of Trust, Mortgage or other state specific instrument]** (including due on sale clause **[OPTION - and water rights] [OPTION - and assignment of rents]**) on land and improvements located at **[address of property]**. This property is **[SELECT - residential - OR - commercial - OR - agricultural]**. **[OPTION - The lien is limited to \$[amount].]**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
- (1) First: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ].**
  - (2) Second: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ].**
  - (3) **[etc., up to four].**

*The following paragraphs are optional.*

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

- c. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- d. Lender must obtain a written agreement from prior lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.
- e. Lender to file a Request for Notice pursuant to state law.
- f. Written waiver of homestead required.
- g. Statement of non-homestead required.
- h. Written Designation of Business Homestead required.

- i. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- j. Written waiver of redemption rights is required on non-residential property.
- k. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

*Select one and only one of the following choices, from (1) to (8)*

- l. Evidence of title and priority of lien must be based upon:
  - (1) ALTA Loan Policy, insuring lender and assigns,
    - [OPTION - in the amount of \$[Amount].]**
    - [OPTION - with [specify required endorsements] endorsements.]**
    - [OPTION - policy to be without standard exceptions (“extended ALTA”).]**
    - [OPTION - policy to be without standard survey exception.]**
    - [OPTION - policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]**
    - [MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]**
    - [OPTION - Write Your Own]**
  - (2) Mortgagee’s Title Policy insuring lender and assigns
    - [OPTION - in the amount of \$[Amount].]**
    - [OPTION - policy to be without standard survey exception.]**
    - [OPTION - policy to be without exception to Homestead, Survey or Taxes.]**
    - [OPTION - policy must reflect that all taxes and municipal liens have been brought current or paid.]**
    - [OPTION - Such policy must contain no exceptions for parties in possession, mechanic’s or materialman’s liens, or matters which would be disclosed by an accurate survey.]**
    - [OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]**
    - [MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]**
  - (3) Attorney’s certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.
    - [OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]**
    - [MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.]**

- (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
- (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
- (6) CLTA Loan Policy.
- (7) Limited Title Policy.
- (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

(9) **[Write Your Own]**

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- m. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.
- n. At the time of Closing, either:
  - (1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,
  - (2) no exception for these in the title insurance commitment/policy, or
  - (3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

## 2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

**Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale** between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on purchaser's interest covering real estate located at **[address of property]**, and its proceeds. **[OPTION - The lien is limited to \$[amount].]**

- a. The outstanding balance due Seller under contract is **[\$Amount owed to seller]**.
- b. Lender must obtain from seller written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- c. Assignment must contain the following conditions: (1) Right of reassignment; (2) Seller's consent; (3) Seller's agreement to give 60 days notice of forfeiture with right to cure; and (4) Due on sale clause.
- d. Assignment must be subject only to the interest of Seller **[OPTION - and [nature of interest(s) and amount(s)] ]**.

*The following paragraph is optional*

- e. Lender must cause deed to be held in escrow.

*Select one and only one of the following choices, from (1) to (8)*

- f. Evidence of title and priority of lien must be based upon:
  - (1) ALTA Loan Policy, insuring lender and assigns,  
**[OPTION - in the amount of \$[Amount].]**  
**[OPTION - with [specify required endorsements] endorsements.]**  
**[OPTION - policy to be without standard exceptions ("extended ALTA").]**  
**[OPTION - policy to be without standard survey exception.]**  
**[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]**  
**[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]**  
**[OPTION - Write Your Own]**
  - (2) Mortgagee's Title Policy insuring lender and assigns  
**[OPTION - in the amount of \$[Amount].]**  
**[OPTION - policy to be without standard survey exception.]**  
**[OPTION - policy to be without exception to Homestead, Survey or Taxes.]**  
**[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.]**

**[OPTION -** Such policy must contain no exceptions for parties in possession, mechanic's or materialman's liens, or matters which would be disclosed by an accurate survey.]

**[OPTION -** Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]

**[MUST APPEAR if R/E located in VT -** Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]

- (3) Attorney's certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.

**[OPTION -** Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]

**[MUST APPEAR if R/E located in VT -** Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.]

- (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
- (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
- (6) CLTA Loan Policy.
- (7) Limited Title Policy.
- (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

- (9) **[Write Your Own]**

### **3. Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale**

**Collateral Assignment of (or lien on) Seller's Interest in Land Contract of Sale** between **[Seller]** (Seller) and **[Purchaser]** (Purchaser), creating a valid lien on Seller's interest covering real property sold by the Seller to Purchaser and located at **[address of property]**, and its proceeds.

- a. The outstanding balance due Seller under contract is **[\$[Amount owed seller]]**.
- b. Assignment must contain the following conditions: (1) Seller may receive payments from Purchaser so long as the Loan is not in default; (2) Seller must agree to direct Purchaser to make all future payments to Lender upon Loan default; and (3) Seller must agree that payment is due upon sale of seller's interest.
- c. Assignment must be subject only to the interest of Purchaser **[OPTION - and [nature of interest(s) and amount(s)] ]**.

## 4. Assignment of Beneficial Interest and Power of Direction in Land Trust

Note: Some of the options in this collateral condition will vary according to the state in which the real property is located. Refer to Appendix B for more information.

**Assignment of Beneficial Interest and Power of Direction in Land Trust** holding title to real estate located at **[Property Address]**.

*The 2 following paragraphs a and b are optional*

- a. Subject only to the prior assignment(s) held by **[Prior Assignee]**, not exceeding **[\$[Amount]]**.
- b. Fee title to real estate must be subject only to prior lien(s) held by **[prior lienholders]**, not exceeding **[\$[Amount]]**.

*Select one and only one of the following paragraphs c and d*

- c. Title and lien position to be supported by ALTA Owner's Title Insurance Policy and current trust record.
- d. Evidence of title and lien position is required, in form of tract book search or attorney's letter of opinion and current trust record.

## 5. Leasehold Instrument on Building Constructed on Leased Land

Note: STRINGENT CONDITIONS FOR LIMITING SIZE OF LIEN: Loan must be otherwise fully secured by other collateral and lien must be no less than 150% of available equity. See SBA Policy Notice 5000-889.

**[SELECT - First, Second, etc.] Leasehold [SELECT - Deed of Trust, Mortgage or other state specific instrument] (including due on sale clause) on Building(s) Constructed on Leased Land** located at **[address of property]**. This property is **[SELECT - commercial - OR - agricultural]**. **[OPTION - The lien is limited to \$[amount].]**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (2) Second: **[name of lienholder] [SELECT - in the amount of \$[amount] - OR - in the present amount of \$[amount], with a revolving provision limited to a total principal outstanding of \$[amount] ]**.
  - (3) **[etc., up to four]**.



*The following paragraphs always appear*

- c. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**.
- d. Lease must contain clauses providing for the following:
  - (1) Tenant's right to encumber leasehold estate;
  - (2) No modification or cancellation of lease without lender's or assignee's approval;
  - (3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and unqualified right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;
  - (4) Lender's or assignee's right to sublease;
  - (5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 90 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;
  - (6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;
  - (7) Lender's or assignee's first right to share in condemnation proceeds.
- e. Lender must obtain Lessor's written consent to the leasehold **[Type of Instrument - same as above]** and a collateral assignment of lease.

*The following paragraphs are optional.*

Note : availability of options may vary depending on the state in which the real property is located - see Appendix B for more information.

- f. Any prior lien(s) that is (are) open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- g. Lender must obtain a written agreement from prior lienholders to provide Lender with **[number of days]** days written notice before commencing foreclosure of prior lien.
- h. Lender to file a Request for Notice pursuant to state law.
- i. Written waiver of homestead required.
- j. Statement of non-homestead required.
- k. Written Designation of Business Homestead required.
- l. Lender must obtain from prior lienholders written verification (1) of amount owing on prior obligation, (2) that Borrower is current on payments, and (3) that Borrower is not otherwise in default.
- m. Written waiver of redemption rights is required on non-residential property.
- n. Survey, certified to lender, is required, or prior survey and affidavit of no change acceptable to lender.

Select one and only one of the following choices, from (1) to (8)

- o. Evidence of title and priority of lien must be based upon:
- (1) ALTA Loan Policy, insuring lender and assigns,  
[OPTION - in the amount of \$[Amount].]  
[OPTION - with [specify required endorsements] endorsements.]  
[OPTION - policy to be without standard exceptions (“extended ALTA”).]  
[OPTION - policy to be without standard survey exception.]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]  
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]  
[OPTION - Write Your Own]
  - (2) Mortgagee’s Title Policy insuring lender and assigns  
[OPTION - in the amount of \$[Amount].]  
[OPTION - policy to be without standard survey exception.]  
[OPTION - policy to be without exception to Homestead, Survey or Taxes.]  
[OPTION - Policy must reflect that all taxes and municipal liens have been brought current or paid.]  
[OPTION - Such policy must contain no exceptions for parties in possession, mechanic’s or materialman’s liens, or matters which would be disclosed by an accurate survey.]  
[OPTION - Policy will not contain an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]  
[MUST APPEAR if R/E located in VT - Policy must provide affirmative coverage over any environmental contamination on property when publicly issued, filed, or recorded government documents indicate that environmental contamination is above federal or state action levels.]
  - (3) Attorney’s certificate of title or title opinion in favor of lender and assigns certifying that lender has obtained the required lien position.  
[OPTION - Certificate or opinion will not contain a survey exception or an M.G.L. Section 21(e) exception unless a detailed engineering study satisfactory to Lender is submitted prior to closing.]  
[MUST APPEAR if R/E located in VT - Certificate or opinion must address that the real property and its use are in compliance with state and federal environmental laws and regulations, as well as zoning, subdivision and land use laws, as determinable from all relevant publicly issued, filed or recorded governmental documents.]
  - (4) Title insurance customarily obtained for similar transactions in this jurisdiction.
  - (5) Title and/or Lien Search or other evidence of proper ownership and lien position.
  - (6) CLTA Loan Policy.
  - (7) Limited Title Policy.
  - (8) Property, Judgment and Lien Report indicating that lender has obtained the required position.

*In addition to the above, a "write your own" option is provided in case a survey or other endorsement is required*

(9) **[Write Your Own]**

*The following paragraph (LANDLORD'S WAIVER) is optional*

SOP 50-10(4), pg.91-92, Subpart "A", Chapter 2, Paragraph 1.h.(5) - Requirements for Collateral on leased land

- p. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to:
- (1) Subordinate to Lender Lessor's interest, if any, in this property;
  - (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and
  - (3) Allow Lender the right to take possession and dispose of or remove the collateral.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- q. CDC must obtain in recordable form written subordination agreements from any tenants occupying any of the Project real property required as collateral. Appropriate subordination language may be included in the Lease as an alternative.
- r. At the time of Closing, either:
- (1) there must be no contractor's, mechanic's or materialman's lien on the Property, including a lien which might possibly be filed after Closing, which would impair the stated priority of the CDC/SBA lien, and there must be no other circumstances adversely affecting the value of the property; or,
  - (2) no exception for these in the title insurance commitment/policy, or
  - (3) The title insurance company must provide affirmative coverage to CDC and SBA over any such exceptions, affording reasonably adequate protection against material loss arising from such exceptions. In addition, the title insurance company must provide such endorsements as CDC or SBA deems necessary to protect CDC and SBA reasonably against material loss arising from any other exceptions. In states where a survey is customarily provided for title insurance coverage, Borrower must also provide a survey certified to SBA/CDC, or a prior survey acceptable to SBA/CDC and the title insurer and a satisfactory survey affidavit of no change.

## **6. Leasehold Security Interest in building on leased land**

**[SELECT - First, Second, etc.] Leasehold Security Interest (including due on sale clause) in building on leased land located at [address of property].**

*The following must appear if junior lien position.*

- a. Subject to lien(s) totaling not more than \$**[Amount]** ].

*The following paragraphs must always appear.*

- b. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**.
- c. Lease must contain clauses providing for the following:

- (1) Tenant's right to encumber leasehold estate;
  - (2) No modification or cancellation of lease without lender's or assignee's approval;
  - (3) Lender's or assignee's right to acquire the leasehold at foreclosure sale or by assignment and unqualified right of reassignment of the leasehold estate (along with right to exercise any options) by lender or successors;
  - (4) Lender's or assignee's right to sublease;
  - (5) Lender's or assignee's rights upon default of the tenant or termination of the lease. This would include notice, extended time to cure (at least 90 days), time allotted for foreclosure and sale, and procedures for non-monetary defaults;
  - (6) Lender's or assignee's rights to hazard insurance proceeds resulting from damage to improvements;
  - (7) Lender's or assignee's first right to share in condemnation proceeds.
- d. Lender must obtain Lessor's written consent and subordination to the fixture filing.

## **7. Lessee's Interest in a Lease by Assignment**

**Collateral Assignment of Lessee's Interest in the Lease** between **[Lessor's name]**, Lessor, and **[Lessee's name]**, Lessee, **[OPTION - dated [date of lease] ]** for the premises located at **[address of leased premises]**, including right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

## **8. Lessee's Interest in a Lease by Lien, Mortgage or Deed of Trust**

**[SELECT - First, Second, etc.] Lien, Mortgage or Deed of Trust on Lessee's interest (including due on sale clause) in the lease** between **[Lessor's name]**, Lessor, and **[Lessee's Name]**, Lessee, **[MUST APPEAR if not a first lien position - subject to lien(s) totaling not more than \$[Amount] ]**. This property is **[SELECT - residential - OR - commercial - OR - agricultural]**. The terms of the lease or the lien instrument must include a right of reassignment, Lessor's consent to the assignment and agreement to subordinate its interest in any property which is collateral for the Loan. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**. Lease must require Lessor to provide Lender/SBA **[number of days - default is 60]**-day written notice of intent to terminate the lease for Borrower's default and an opportunity to cure.

## 9. Leasehold on Tribal Land

**Assignment of Leasehold on Tribal Land.** **[SELECT - First, Second, etc.]** Assignment, with right of reassignment, of all of Borrower's rights and interests in and to a certain Lease between Borrower (as Lessee) and **[name of Indian tribe]** Indian Tribe (as Lessor) covering premises located at **[location of leasehold]**, **[MUST APPEAR if not a first lien position - subject to lien(s) totaling not more than \$[Amount] ]** to include written consent of the Tribal Council and the Secretary of the Interior. Remaining term of lease, including options to renew exercisable solely by the Borrower, must cover term of Loan **[OPTION - plus [number of years] year(s)]**.

## 10. Cooperative Apartment

**[SELECT - First, Second, etc.] Security Interest in Cooperative Apartment** located at **[property address]**, including an Assignment of Proprietary Lease to Premises and pledge of shares of stock in Cooperative Apartment, subject to recognition of lien by Cooperative Association/Corporation. A Uniform Commercial Code lien search evidencing the required lien position is required.

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## C. Security Interests

### 1. Personal Property

This section should be used more than once if different lien positions are taken on different kinds of personal property.

For Puerto Rico Chattel Mortgage only: the text 'perfected security interest' will be replaced with 'chattel mortgage'.

**[SELECT - First, Second, etc.] perfected security interest, [MUST APPEAR if first lien position - subject to no other liens] in the following personal property** (including any proceeds and products), **[SELECT - whether now owned or later acquired - OR - acquired with loan proceeds, including all replacements and substitutions - OR - whether now owned or later acquired or acquired with loan proceeds, including all replacements and substitutions]**, wherever located:

**[OPTION - Equipment;]**

**[OPTION - Fixtures;]**

**[OPTION - Inventory;]**

**[OPTION - Accounts;]**

**[OPTION - Instruments;]**

**[OPTION - Chattel Paper;]**

**[OPTION - General Intangibles;]**

**[OPTION - Farm Products - Crops growing or to be grown, their products, and all accounts or general intangibles arising from their sale ;]**

**[OPTION - Farm Products - All livestock now owned, in gestation and later acquired, including their products and natural increase, if any;]**

**[OPTION - Write Your Own]**

*If junior lien position, select one or more of the following options (a, b, and c).*

**Note : Options a and c can be repeated if necessary**

- a. Subject only to the prior lien of **[prior lienholder]** in the amount of **[\$[Amount]]** on the following collateral: **[SELECT from list of personal properties selected above]**
- b. Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law.
- c. Subject only to the interest of **[lender's name]** under a Line of Credit in the maximum amount of **[\$[Amount]]** on the following collateral: **[SELECT from list of personal properties selected above]**

*The following paragraph (LANDLORD'S WAIVER) is optional*

- d. Lender must obtain a written agreement from all Lessors (including sublessors) agreeing to: (1) Subordinate to Lender Lessor's interest, if any, in this property; (2) Provide Lender written notice of default and reasonable opportunity to cure the default; and (3) Allow Lender the right to take possession and dispose of or remove the collateral.

*The following paragraph must appear if equipment or fixtures is selected above*

- e. Lender must obtain a list of all equipment and fixtures that are collateral for the Loan. For items with a unit value of \$500 or more, the list must include a description and serial number, if applicable.

*The following paragraph must always appear*

- f. Lender must obtain an appropriate Uniform Commercial Code lien search evidencing all required lien positions. If UCC search is not available, another type of lien search may be substituted.

*The following paragraph must appear in **7(a) Authorizations only** if junior lien position*

- g. Lender must take a purchase money security interest in all personal property acquired with Loan proceeds.

*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- h. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

## **2. Liquor License**

**[SELECT - First, Second, etc.] Security interest in [SELECT - Liquor License #[License number] and the proceeds of any sale of the license - OR - Proceeds of the sale of Liquor License #[License number] ].**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

## **3. Vehicle**

**[SELECT - First, Second, etc.] Security Interest on the following Vehicle - Make or Model: [INPUT], Year: [INPUT].**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

## **4. Mobile Home**

**[SELECT - First, Second, etc.] Security Interest in a Mobile Home , Serial Number [serial number], owned by [record owner] located at [property address].**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

## 5. Aircraft

**[SELECT - First, Second, etc.] Perfected Security Agreement recorded with the Federal Aviation Administration (FAA) Oklahoma City, Oklahoma, against the following aircraft - Make: **[make]**, Model: **[model]**, Year: **[year]**.**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

*The following paragraph always appears*

- c. Lender must verify title and lien position by Certificate.

## 6. Vessel

**[SELECT - First, Second, etc.] Preferred Ship's Mortgage recorded with the U.S. Coast Guard against the vessel named **[name of vessel]**, and noted on the vessels' official log.**

*The following must appear if first lien position.*

- a. subject to no other liens.

*The following must appear if junior lien position.*

- b. subject only to prior lien(s) as follows:
  - (1) First: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (2) Second: **[name of lienholder]** in the amount of **[\$[amount]]**
  - (3) [etc., up to four]

*The following paragraph always appears*

- c. Lender must verify lien position by Certificate issued by U.S. Coast Guard.



*The following paragraphs must appear in **504 Authorizations only** when collateral is Project Property.*

- d. At the time of Closing, there must be no circumstances adversely affecting the value of the property. There must be no lien on the Property, including a lien which might possibly be filed after Closing, which impairs the stated priority of the CDC/SBA lien.

## **D. Assignments of Interest**

### **1. Certificate of Deposit**

**Assignment of certificate of deposit** held by **[owner of CD]** in the amount of \$**[Amount of CD]**, with acknowledgment from the issuing financial institution.

### **2. Mutual Fund**

**Assignment of Mutual Fund Interest:** Assignment to Lender by **[shareholder]** (shareholder) of all interest in **[name of Mutual Fund account]**. Lender must obtain acknowledgment of such assignment from the broker or Mutual Fund.

### **3. Corporate Stock (by pledge)**

**Pledge of Corporate Stock:** Pledge to Lender by **[shareholder]** (shareholder) of **[number of shares]** shares of stock (but not voting rights) in **[name of company]**.

### **4. Note**

**Assignment of note** dated **[date of note]**, executed by **[Input]** to **[Input]** with approximate balance due of \$**[Amount of balance due]** **[OPTION - and assignment of: [Reverts to full list of collateral conditions to select] ]**

### **5. Contract**

**Contract Assignment:** A valid assignment and first security interest covering all proceeds under contract dated **[date of contract]** between Borrower and **[name of other party to contract]** in the amount of \$**[Amount]**.

### **6. Government Contract**

**U.S. Government Contract Assignment and Notice of Assignment:** Assignment of monies due or to become due under federal contract number **[contract number]** with the **[name of agency]** in the amount \$**[Amount of contract]** and any subsequent modifications or additions. Lender must perfect the assignment pursuant to Federal Acquisition Regulations.

## 7. U.S. Patent

**Assignment of U.S. patent** number [patent number] issued to [patent holder]. Lender must comply with U.S. Patent and Trademark laws.

## 8. Franchise Agreement

SOP 50-10(4), pg. 112-113, Subpart "A", Chapter 5, Paragraph 6.f. - SBA Franchise Requirements

**Assignment of Franchisee's Interest.** Franchisor must agree to allow Franchisee to assign the Franchise Agreement for security purposes with rights of reassignment.

## Appendix B

### State-specific Options in the Standard Collateral Conditions

This appendix describes, for every U.S. state, the state-specific options available in the following collateral conditions :

1. Lien On Land And Improvements
2. Collateral Assignment of (or lien on) Purchaser's Interest in Land Contract of Sale
3. Assignment of Beneficial Interest and Power of Direction in Land Trust

These state-specific options are divided into 3 categories:

- (a) Type(s) of Lien Instrument;
- (b) Available Boilerplate options;
- (c) Available Evidence of title options.

The "**Evidence of Title options**" are indexed as follow. Refer to Appendix A for the full text.

- (1) ALTA Loan Policy insuring lender and assigns
- (2) Mortgagee's Title Policy insuring lender and assigns
- (3) Attorney's Certificate of title, or title opinion in favor of lender (...)
- (4) Title Insurance customarily obtained for similar transactions in this state
- (5) Title and/or Lien Search, or other evidence of proper ownership (...)
- (6) CLTA Loan Policy
- (7) Limited Title Policy
- (8) Property, Judgment and Lien Report indicating lender obtained required position

The "**Boilerplate options**" are indexed as follow. Refer to Appendix A for the exact text.

- (1) (index not used)
- (2) Any prior lien that is open ended as to future advances must be closed, in writing, according to applicable state law. The revolving line(s) of credit set out above, if any, must be limited in writing to the amount stated.
- (3) Lender must obtain a written agreement from prior lienholders to provide Lender with [Number of days] days written notice before commencing foreclosure of prior lien.
- (4) Lender to file a Request for Notice pursuant to state law.
- (5) Written waiver of homestead required (Residential property only).
- (6) Lender must obtain from prior lienholders written verification (a) of amount owing on prior obligation, (b) that Borrower is current on payments, and (c) that Borrower is not otherwise in default.
- (7) Written waiver of redemption rights required on non-residential property.
- (8) Survey, certified to Lender, is required, or prior survey and affidavit of no change acceptable to Lender.
- (9) Written Designation of Business Homestead required.
- (10) Statement of non-homestead required.

# **List of options by state**

## **Alabama**

Instrument: Mortgage  
Evidence of Title: (3) (4) (5)  
Boilerplate options: (6) (10)

## **Alaska**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (3) (6)

## **Arizona**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (6)

## **Arkansas**

Instrument: Mortgage, Deed of Trust  
Evidence of Title: (1) (2) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

## **California**

Instrument: Deed of Trust  
Evidence of Title: (1) (6) (7) (4) (5)  
Boilerplate options: (2) (4) (6)

## **Colorado**

Instrument: Deed of Trust  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (6) (10)

## **Connecticut**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (5) (6)

## **Delaware**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (6) (10)

## **Florida**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (6) (10)

## **Georgia**

Instrument: Deed to Secure Debt  
Evidence of Title: (1) (3) (4) (5)  
Boilerplate options: (2) (3) (6)

## **Guam**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (6) (10)

## **Hawaii**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (6)

## **Idaho**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (6)

## **Illinois**

Instrument: Mortgage  
Evidence of Title: (1) (3) (5)  
Boilerplate options: (2) (5) (6) (7) (10)

## **Indiana**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2)

## **Iowa**

Instrument: Mortgage  
Evidence of Title: (3) (5)  
Boilerplate options: (2) (5) (6) (8)

## **Kansas**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (6) (7) (10)

## **Kentucky**

Instrument: Mortgage  
Evidence of Title: (2) (3) (4) (5)  
Boilerplate options: (2) (3) (6)

**Louisiana**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

**Maine**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (6)

**Maryland**

Instrument: Deed of Trust; Indemnity Deed  
of Trust (when securing guarantee)  
Evidence of Title: (2) (3) (8) (5)  
Boilerplate options: (2) (3)

**Massachusetts**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (6) (10)

**Michigan**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (3)

**Minnesota**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (4) (6) (10)

**Mississippi**

Instrument: Deed of Trust  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (5) (6) (10)

**Missouri**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (4) (6)

**Montana**

Instrument: Montana Trust Indenture,  
Mortgage  
Evidence of Title: (1)  
Boilerplate options: (2) (3) (5) (10)

**Nebraska**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3)  
Boilerplate options: (2) (4) (6) (10)

**Nevada**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3)  
Boilerplate options: (2) (4) (5) (6) (10)

**New Hampshire**

Instrument: Mortgage  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (5) (6) (10)

**New Jersey**

Instrument: Mortgage  
Evidence of Title: (2)  
Boilerplate options: (6) (10)

**New Mexico**

Instrument: Mortgage  
Evidence of Title: (1)  
Boilerplate options: (2) (10)

**New York**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5) (8)  
Boilerplate options: (2) (3) (6)

**North Carolina**

Instrument: Deed of Trust  
Evidence of Title: (1) (2) (3) (4)  
Boilerplate options: (2) (4) (6)

**North Dakota**

Instrument: Mortgage  
Evidence of Title: (2) (3)  
Boilerplate options: (2) (5) (6) (10)

**Ohio**

Instrument: Mortgage  
Evidence of Title: (2) (3) (5)  
Boilerplate options: (2) (6)

**Oklahoma**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (4) (5)  
Boilerplate options: (2) (6) (10)

**Oregon**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (4) (5)  
Boilerplate options: (2) (6)

**Pennsylvania**

Instrument: Mortgage  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (6) (10)

**Puerto Rico**

Instrument: Mortgage  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (6)

**Rhode Island**

Instrument: Mortgage  
Evidence of Title: (2) (3) (4) (5)  
Boilerplate options: (2) (3)

**South Carolina**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (3) (6)

**South Dakota**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (5) (6) (10)

**Tennessee**

Instrument: Deed of Trust  
Evidence of Title: (1) (3)  
Boilerplate options: (2) (3) (6) (8) (10)

**Texas**

Instrument: Deed of Trust  
Evidence of Title: (2) (5)  
Boilerplate options: (2) (3) (5) (6) (9) (10)

**Utah**

Instrument: Deed of Trust  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (4) (6)

**Vermont**

Instrument: Mortgage  
Evidence of Title: (1) (2) (3) (5)  
Boilerplate options: (2) (3) (5) (6) (10)

**Virginia**

Instrument: Deed of Trust  
Evidence of Title: (1) (3) (5)  
Boilerplate options: (2) (3) (6)

**Washington**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (1) (2)  
Boilerplate options: (2) (6)

**Washington DC**

Instrument: Deed of Trust  
Evidence of Title: (4) (5)  
Boilerplate options: (2) (3) (6) (10)

**West Virginia**

Instrument: Deed of Trust, Mortgage  
Evidence of Title: (3) (5)  
Boilerplate options: (2) (3) (4) (6)

**Wisconsin**

Instrument: Mortgage  
Evidence of Title: (1) (5)  
Boilerplate options: (2) (3) (6) (10)

**Wyoming**

Instrument: Mortgage  
Evidence of Title: (1) (2) (4) (5)  
Boilerplate options: (5) (6) (10)

**Exceptions to the above list**

- If available in a state, Boilerplate option (5) is available only for residential real property.
- If available in a state, Boilerplate option (7) is available only for commercial real property.

- The following boilerplate options are not available with a first lien position: (2) (3) (4) (6)
- In 504 Authorizations, if real property is project property, Evidence of Title option (1) must be used except in the following state, where it is : Iowa: (3); North Dakota: (1) (2); Texas: (2)

## Appendix C

### Frequently-Asked Questions (FAQ's)

This appendix is a compilation of frequently asked questions (FAQ's) relating to the Boilerplate. For questions relating to the operation of the Wizard, refer to the FAQ section of the "7a Wizard Help Topics" available from the 7a Wizard menu.

#### What should you do if you don't find the answer to your question in this FAQ?

Additional FAQ's published after the release date of this document will be posted on [SBA's intranet](http://www.sba.gov/banking) and banking web site (<http://www.sba.gov/banking>).

SBA has created an Exchange Mailbox - "Auth-7a" to receive and respond to questions raised by SBA employees. SBA employees should first submit questions, comments and suggestions through their supervisory financing personnel or counsel, who may be able to resolve the issue locally.

Lenders should submit comments and suggestions through their local SBA office.

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### **1. Why was the Authorization changed so that it is no longer a Loan Agreement?**

Under SBA regulations, the Authorization is not an agreement to lend money (see 13 CFR 120.10). The Authorization is intended to provide the lender with specific conditions which must be met for SBA to provide a guaranty of the loan the lender is making to the borrower. It is not a contract between SBA and the borrower, and the borrower is not a third party beneficiary of the Authorization. SBA is not lending money to the borrower and SBA cannot force a lender to make a loan to any borrower, even if the borrower complies with the terms of the Authorization. The borrower and operating company do not sign the Authorization. The change in focus reflects these SBA policies.

The requirements of the Authorization are directed to the lender. SBA is not directing borrowers to meet certain requirements. SBA directs lenders to obtain the information, documents, and certifications from the borrowers necessary to meet SBA's requirements for a guaranty. When a lender requests that SBA honor its guaranty, SBA requires the lender to present evidence that the loan was properly closed in accordance with the Authorization and serviced and liquidated according to SBA policies. Lenders are responsible for meeting SBA requirements and the focus of the Authorization emphasizes this SBA policy.

### **2. Does SBA require a loan agreement? What sample form can lenders use for borrower's certifications?**

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C. of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents. SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications. Lenders are provided with a sample form, Borrower's Certification (2 pages - see Appendix D), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement. Lenders are also provided with a sample Loan Agreement form (1 page - see Appendix D) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

### **3. What if Authorization provisions conflict with SOP 50-10?**

If you discover an apparent conflict, please send an e-mail to "Auth-7a" mailbox describing the conflict and stating the SOP paragraph and the authorization paragraph which you believe conflict. You must continue to use the Boilerplate. The Boilerplate reflects current SBA policy. OGC and OFA have reviewed and approved the Boilerplate. The Boilerplate is considered an Appendix to SOP 50-10(4). The Boilerplate will be updated from time to time to reflect policy changes in subsequent regulations, Notices, or SOPs.

### **4. How will subsequent modifications to the Authorization be distributed to the field?**

The Authorization will be modified periodically to address state-specific issues, implement policy changes, and correct "glitches".

Future updates to the Authorization will be available at <http://www.sba.gov/banking>. OCIO will download copies automatically to each processing office's LAN with notification via SBA information channels. SBA offices also will be able to obtain the files from the above web site or via [SBA's Intranet](#).

Lenders should check the SBA web site or with their local SBA office periodically to insure they have the latest version of the Authorization. Once SBA releases a new version, there will be a 30-day grace period to begin using the new version. If you are using the Wizard, the version is printed in the footer of each authorization document, or the version can be seen by selecting the 'About 7a Wizard' option in the 7a Wizard menu. It is also printed on the first page of the Boilerplate.

## **5. Can you include additional forms in section "D. Required Forms"?**

The Boilerplate lists all SBA required forms. (The 7a Wizard automatically adds SBA Forms 148 and 601 when applicable.)

The SBA Deed of Trust and Mortgage are no longer required forms. Lenders may use their own lien instruments, which must comply with legal requirements and prudent lending practices. If they do, they must add to all lien instruments the federal law and arbitration provisions required in the Collateral section of the Authorization. This language must also be added to the SBA Deed of Trust and Mortgage forms if the lender chooses to use these forms. The federal law provisions stating that the lien instrument is to be construed in accordance with federal law if SBA is enforcing the Note protects SBA if the lender assigns its loan documents to SBA for enforcement. The arbitration clause is necessary to protect SBA from binding arbitration clauses found in some local forms.

The SBA Standby Creditor's Agreement also is no longer a required form. Lenders may use the revised Form 155 or a substantially equivalent form. The Revised Form 155 is available on [SBA's Intranet](#), and on the SBA internet banking site at <http://www.sba.gov/banking>.

SBA offices may not require lenders to use any local forms.

## **6. Why doesn't SBA instruct lenders how to obtain insurance, perfect liens or meet other requirements in the Authorization?**

The Authorization gives a lender the requirements that must be met for SBA to guarantee a loan. It does not instruct the lender how specifically to meet those requirements. As lenders, they are responsible for knowing how to properly close loans, secure collateral, and obtain and perfect the required lien position. A lender and SBA sign a Loan Guaranty Agreement, SBA Form 750, that provides the general requirements the lender must meet for SBA to guarantee loans at lender's request. SBA lenders must follow SBA's regulations and SOP requirements. They are held to a prudent lender standard.

## **7. Why doesn't the Authorization specify how to perfect a lien for each piece of real estate taken as collateral or specify which signatures a lender must obtain for rental property ?**

The Boilerplate notifies lenders that they must obtain "the signature or written consent of any obligor's spouse if such consent or signature is necessary to bind the marital community or create a valid lien on marital property." SBA holds lenders responsible for knowing how to create and properly perfect a lien on property required by the Authorization. The Authorization gives a lender the requirements that must be met for SBA to guarantee the loan between the lender and the borrower. It does not instruct the lender on

how to meet those requirements. The lender, not SBA, must determine the legal ownership of a piece of real estate and determine what signatures must be obtained to create enforceable documents.

An SBA office may give lenders a Closing Checklist addressing local requirements and provide closing guidelines. Samples of Closing Checklists used in several offices are available on [SBA's Intranet](#).

**8. Why are machinery, furniture and business assets not collateral categories in the lien provisions?**

The Boilerplate provisions for personal property collateral use the defined terms in the Uniform Commercial Code (Code) for property categories. The Code states which types of property fall into each category. Machinery, furniture and business assets are included in one or more of the defined collateral categories. For example, machinery and furniture are defined as equipment under the Code. If you cannot determine the appropriate option(s), consult with counsel.

**9. May I write my own repayment terms, or use local lender terms and skip the standard repayment terms?**

You may not replace the standard repayment terms in the Authorization with lender-specific or office-specific language. This includes the terms related to initial adjustment of the interest rate on variable rate loans. All authorized 7a loan options have been provided. The language has also been approved as acceptable to the secondary market. If there is a need for a specific term for a particular loan that is not in the Boilerplate, you and the SBA counsel should work together to draft a provision for use in that specific case.

Colson, NAGGL, several national PLP lenders, and other lenders have reviewed and commented on the repayment provisions. Their comments were taken into account in drafting the terms in the Boilerplate and certain options were added in response to lenders' concerns.

**10. Why doesn't the Authorization require lenders to use the low prime published in the Wall Street Journal?**

The Wall Street Journal now only publishes one prime rate. This rate is based on the corporate loan rate charged by 75% of the nation's 30 largest banks.

**11. Can I remove the extraneous documents in the "Borrower, Guarantor and Operating Company Documents" section?**

No. The Authorization intentionally lists documents required for all types of legal entities. Borrowers, Guarantors and Operating Companies frequently change their legal structures between the time the authorization is issued and the loan is closed. The list tells a lender what is required for each entity and accommodates changes in organization that are made before closing. Lenders should inform SBA of any changes and should submit material changes for SBA review and approval.

**12. Why does the Authorization have the SBA Logo instead of the SBA Seal?**

SBA Headquarters selected the Logo instead of the Seal. All revised SBA documents will use this Logo at the top of the document.

### **13. Why was the Administrator's name omitted from the SBA signature block?**

The Authorization is signed on behalf of the "Administrator", whomever that may be at the time. The name is not a necessary part of the official document. Eliminating the name avoids changing the document when there is a new Administrator.

### **14. How is the SBA Loan Name determined?**

Choose the first available name from this list:

- a. dba of the Operating Company
- b. name of the Operating Company
- c. dba of the Borrower
- d. name of the Borrower

In the case of multiple borrowers or operating companies, apply the same rule, using the first operating company or borrower listed by the Loan Officer.

### **15. What is SBA's Environmental Policy?**

SBA's Environmental Policy is in SOP 50-10(4), pg. 113-128, Subpart "A", Chapter 5, Paragraph 7. Lenders must be familiar with this policy. Basic environmental conditions are set forth in the Boilerplate. Lenders should consult with the local SBA office where the real property is located to ascertain any state or local requirements to be added to the authorization. Except for PLP loans, a lender must submit the results of the Environmental Investigation to the SBA. If it is not submitted to the processing office at the time of application, then it must be submitted to the SBA office identified in the authorization prior to disbursement. Except for PLP loans, a lender must not disburse a loan until SBA has reviewed the results of the investigation and is satisfied that the risk of potential environmental contamination has been sufficiently minimized. PLP lenders must comply with the environmental provisions of the SOP in conducting the environmental investigation and reaching a conclusion that the risk of contamination is sufficiently minimized.

### **16. Why does the Authorization place restrictions on any lender's non-SBA financing when that lender takes a senior lien on joint ("piggyback") financing?**

The Authorization provides that when any lender, including the participant lender (the "Piggyback Lender"), makes a related non-SBA ("Piggyback") loan taking a senior lien position on collateral also financed with and securing an SBA loan, certain charges and advances made by that Piggyback Lender in connection with the senior lien must be subordinated to the SBA loan. The Authorization also restricts the ability of the Piggyback Lender to make the loan payable on demand or contain an early call feature. The purpose of this provision is to insulate the SBA loan from any senior lien default charges or open ended features which may adversely affect repayment of the SBA loan. The loan charges, although subordinated, would still be enforceable against the borrower. Any advances made in connection with reasonable costs of collection of the senior lien would not be subordinated. If the Piggyback Lender is not the participant lender, then prior to disbursement the participant Lender must obtain an Inter-Creditor Agreement from the Piggyback Lender containing these provisions.

These restrictions are similar to the restrictions placed on the senior lienholder in 504 financing.

## **17. How does a lender or SBA loan officer add loan specific provisions to the Authorization?**

There is an OPEN OPTION for the processing officer or lender to add loan specific requirements. It is expected that lender and SBA staff, including SBA counsel, will communicate closely in drafting these requirements. For more information on how to use the Open Options with the 7a Wizard, refer to the 7a Wizard Help available from the 7a Wizard menu.

Any special conditions created for use in the authorization can only be used one time before obtaining SBA approval of the language. This includes conditions created by PLP Lenders or SBA offices. To obtain approval to use a special condition in more than one authorization, contact 7(a) Policy Branch, Office of Financial Assistance, Mail Code 7881, Washington, DC 20416.

## Appendix D

### Loan Agreement and Borrower's Certification Sample Documents

This appendix contains 2 sample documents provided to lenders under the conditions described below:

SBA does not require that a lender use a loan agreement. It is up to a lender to determine whether a loan agreement is needed for its lending practice. Paragraph C. of the Boilerplate states that it is a lender's sole responsibility to close the loan in accordance with the terms and conditions of the authorization, to obtain valid and enforceable loan documents, and to retain the documents.

SBA does not require a loan agreement but does require that the documents be enforceable and that the borrower makes certain certifications.

Lenders are provided with a sample form, **Borrower's Certification** (2 pages), which is a compilation of the various certifications found in the Boilerplate and provides a space for the borrower to initial next to those certifications applicable to the particular loan. Lenders will need to retain an executed document containing these certifications, and may use this sample form as a basis for that document or for incorporating the required certifications into their loan agreement.

Lenders are also provided with a sample **Loan Agreement** form (1 page) which they may use. SBA is leaving the issue of whether a loan agreement is required, and what form it should take, up to the lender, but SBA does require that necessary borrower's certifications be made in writing.

#### **For 7a Wizard users:**

A MS-Word version of the documents presented in this appendix is provided with the 7a Wizard. The MS-Word document is called **D7a2004.doc**. This document is not a wizard and is not connected to the 7a Wizard. It is a standard MS-Word document that can be edited in the same manner as any standard MS-Word document.

If the 7a Wizard was installed locally on your workstation, this document should be available in your MS-Word document directory that you can access via the **Open** command from the **File** menu.

If you are accessing the 7a Wizard via a local area network, contact your network administrator to know where the above document is located.

# LOAN AGREEMENT

THIS LOAN AGREEMENT ("Agreement") is made \_\_\_\_\_, \_\_\_\_\_ between the Borrower and Lender identified in the attached Authorization issued by the U.S. Small Business Administration ("SBA") to Lender, dated \_\_\_\_\_, \_\_\_\_\_, SBA Loan Number \_\_\_\_\_ ("Authorization").

SBA has authorized a guaranty of a loan from Lender to Borrower for the amount and under the terms stated in the attached Authorization (the "Loan").

In consideration of the promises in this Agreement and for other good and valuable consideration, Borrower and Lender agree as follows:

1. Subject to the terms and conditions of the Authorization and SBA's Participating Lender Rules as defined in the Guarantee Agreement between Lender and SBA, Lender agrees to make the Loan if Borrower complies with the following "Borrower Requirements". Borrower must:
  - a. Provide Lender with all certifications, documents or other information Lender is required by the Authorization to obtain from Borrower or any third party;
  - b. Execute a note and any other documents required by Lender; and
  - c. Do everything necessary for Lender to comply with the terms and conditions of the Authorization.
2. The terms and conditions of this Agreement:
  - a. Are binding on Borrower and Lender and their successors and assigns;and
  - b. Will remain in effect after the closing of the Loan.
3. Failure to abide by any of the Borrower Requirements will constitute an event of default under the note and other loan documents

Borrower: \_\_\_\_\_

Lender: \_\_\_\_\_

## BORROWER'S CERTIFICATION

**INSTRUCTIONS: INDICATE THE PARAGRAPHS BEING CERTIFIED TO BY HAVING THE BORROWER INITIAL IN THE [ \_\_\_\_\_ ] NEXT TO THE APPROPRIATE PARAGRAPHS, PRIOR TO SIGNING.**

In order to induce \_\_\_\_\_ ("Lender") to make a U. S. Small Business Administration ("SBA") guaranteed Loan, SBA Loan Number \_\_\_\_\_ ("Loan") to \_\_\_\_\_ ("Borrower"),

A. Borrower and \_\_\_\_\_ ("Operating Company") certify that:

- [ \_\_\_\_\_ ] 1. **Receipt of Authorization** - Borrower and Operating Company have received a copy of the Authorization for this Loan and SBA Form 793, Notice to New SBA Borrower, from Lender, and acknowledge that:
- a. The Authorization is not a commitment by Lender to make a loan to Borrower;
  - b. The Authorization is between Lender and SBA and creates no third party rights or benefits to Borrower;
  - c. The Note will require Borrower to give Lender prior notice of intent to prepay.
  - d. If Borrower defaults on Loan, SBA may be required to pay Lender under the SBA guarantee. SBA may then seek recovery of these funds from Borrower. Under SBA regulations, 13 CFR Part 101, Borrower may not claim or assert against SBA any immunities or defenses available under local law to defeat, modify or otherwise limit Borrower's obligation to repay to SBA any funds advanced by Lender to Borrower.
  - e. Payments by SBA to Lender under SBA's guarantee will not apply to the Loan account of Borrower, or diminish the indebtedness of Borrower under the Note or the obligations of any personal guarantor of the Note.
- [ \_\_\_\_\_ ] 2. **Adverse Change** - That there has been no adverse change in Borrower's (and Operating Company) financial condition, organization, operations or fixed assets since the date the Loan application was signed.
- [ \_\_\_\_\_ ] 3. **Child Support** - No principal who owns at least 50% of the ownership or voting interest of the company is delinquent more than 60 days under the terms of any (1) administrative order, (2) court order, or (3) repayment agreement requiring payment of child support.
- [ \_\_\_\_\_ ] 4. **Current Taxes** - Borrower and Operating Company are current on all federal, state, and local taxes, including but not limited to income taxes, payroll taxes, real estate taxes, and sales taxes.
- [ \_\_\_\_\_ ] 5. **Environmental** — For any real estate pledged as collateral for the Loan or where the Borrower or Operating Company is conducting business operations (collectively "the Property"):
- (a) At the time Borrower and Operating Company submitted the Loan application, Borrower was in compliance with all local, state, and federal environmental laws and regulations pertaining to reporting or clean-up of any hazardous substance, hazardous waste, petroleum product, or any other pollutant regulated by state or federal law as hazardous to the environment (Contaminant), and regarding any permits needed for the creation, storage, transportation or disposal of any Contaminant;
  - (b) Borrower and Operating Company will continue to comply with these laws and regulations;
  - (c) Borrower and Operating Company, and all of its principals, have no knowledge of the actual or potential existence of any Contaminant that exists on, at, or under the Property, including groundwater under such Property other than what was disclosed in connection with the Environmental Investigation of the Property;



- (d) Until full repayment of Loan, Borrower and Operating Company will promptly notify CDC and SBA if it knows or suspects that there has been, or may have been, a release of a Contaminant, in, at or under the Property, including groundwater, or if Borrower or Operating Company or such property are subject to any investigation or enforcement action by any federal, state or local environmental agency (Agency) pertaining to any Contaminant on, at, or under such Property, including groundwater.
- (e) As to any Property owned by Borrower or Operating Company, Borrower or Operating Company indemnifies, and agrees to defend and hold harmless, CDC or Lender and SBA, and any assigns or successors in interest which take title to the Property, from and against all liabilities, damages, fees, penalties or losses arising out of any demand, claim or suit by any Agency or any other party relating to any Contaminant found on, at or under the Property, including groundwater, regardless of whether such Contaminant resulted from Borrower's or Operating Company's operations. (CDC or SBA may require Borrower or Operating Company to execute a separate indemnification agreement).

B. Borrower and Operating Company certify that they will:

[ \_\_\_\_\_ ] 1. **Reimbursable Expenses** - Reimburse Lender for expenses incurred in the making and administration of the Loan.

[ \_\_\_\_\_ ] 2. **Books, Records, and Reports-**

- a. Keep proper books of account in a manner satisfactory to Lender;
- b. Furnish [ *check one if appropriate:* ☐ compiled - ☐ reviewed - ☐ audited ] year-end statements to Lender within \_\_\_\_\_ days [120 days, if not filled in] of fiscal year end;
- c. Furnish additional financial statements or reports whenever Lender requests them;
- d. Allow Lender or SBA, at Borrower's or Operating Company's expense, to:
  - 1) Inspect and audit books, records and papers relating to Borrower's and Operating Company's financial or business condition; and
  - 2) Inspect and appraise any of Borrower's and Operating Company's assets; and
  - 3) Allow all government authorities to furnish reports of examinations, or any records pertaining to Borrower and Operating Company, upon request by Lender or SBA.

[ \_\_\_\_\_ ] 3. **Equal Opportunity** - Post SBA Form 722, Equal Opportunity Poster, where it is clearly visible to employees, applicants for employment and the general public, and comply with the requirements of SBA Form 793, Notice to New SBA Borrowers.

[ \_\_\_\_\_ ] 4. **American-made Products** - To the extent practicable, purchase only American-made equipment and products with the proceeds of the Loan.

[ \_\_\_\_\_ ] 5. **Taxes** - Pay all federal, state, and local taxes, including income, payroll, real estate and sales taxes of the business when they come due.

[ \_\_\_\_\_ ] 6. **Occupancy** - Occupy, at all times during the term of the Loan, at least 51% of the total rentable property and 100% of the renovated rentable property. Borrower will not use Loan proceeds to improve or renovate any of the rentable property leased to third parties.

[ \_\_\_\_\_ ] 7. **Occupancy** - Comply with the following provisions: (a) Borrower must lease 100% of the rentable property to Operating Company; (b) Operating Company may sublease up to 49% of the rentable property; (c) Borrower will not use Loan proceeds to improve or renovate any of the rentable property to be sub-leased.

[ \_\_\_\_\_ ] 8. **Occupancy** - (a) Immediately occupy at least 60% of the rentable property; (b) Continue to occupy at least 60% of the rentable property for the term of the Loan; (c) Lease long term no more than 20% of the rentable property to one or more tenants; (d) Plan to occupy within three years some of the remaining rentable property not immediately occupied or leased long term; (e) Plan to occupy within ten years all of the rentable property not leased long term.

[ \_\_\_\_\_ ] 9. **Occupancy** - Comply with the following provisions: (a) Borrower must lease 100% of the rentable property to Operating Company; (b) Operating Company must immediately occupy at least 60% of the rentable property; (c) Operating Company will lease long term no more than 20% of the rentable property to one or more tenants; (d) Operating Company must plan to occupy within three years some of the remaining rentable property not immediately occupied or leased long term; (e) Operating Company must plan to occupy within ten years all of the rentable property not leased long term.

C. Borrower and Operating Company certify that they will not, without Lender's prior written consent:

[ \_\_\_\_\_ ] 1. **Distributions** - Make any distribution of company assets that will adversely affect the financial condition of Borrower and/or Operating Company.

[ \_\_\_\_\_ ] 2. **Ownership Changes** - Change the ownership structure or interests in the business during the term of the Loan.

[ \_\_\_\_\_ ] 3. **Transfer of Assets** - Sell, lease, pledge, encumber (except by purchase money liens on property acquired after the date of the Note), or otherwise dispose of any of Borrower's property or assets, except in the ordinary course of business.

[ \_\_\_\_\_ ] 4. **Fixed Asset Limitation** - Acquire by purchase or lease agreement any fixed assets  
(totaling more than \$\_\_\_\_\_ in any year).

[ \_\_\_\_\_ ] 5. **Location Limitation** - Acquire by purchase or by lease, any additional locations.

[ \_\_\_\_\_ ] 6. **Limitation on Compensation** - Allow total annual salaries, withdrawals or other forms of remuneration to officers or owners of Borrower and Operating Company, and their immediate family members, to exceed \$\_\_\_\_\_.

[ \_\_\_\_\_ ] 7. \_\_\_\_\_  
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\_\_\_\_\_  
(Borrower) Date

\_\_\_\_\_  
(Operating Company) Date

By: \_\_\_\_\_

By: \_\_\_\_\_